NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS

Congressional Information Service
Washington, D.C.

Calendar No. 540

101st Congress
2d Session

SENATE

Report
101-283

FY
CONCURRENT RESOLUTION ON THE BUDGET
1991

REPORT

OF THE

COMMITTEE ON THE BUDGET UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 129

together with

ADDITIONAL AND MINORITY VIEWS

Setting forth the congressional budget for the United States Government for fiscal years 1991, 1992, 1993, 1994, and 1995

May 10 (legislative day, April 18), 1990.—Ordered to be printed

---

U.S. GOVERNMENT PRINTING OFFICE
27-821 WASHINGTON : 1990

S253-1

COMMITTEE ON THE BUDGET

JIM SASSER, Tennessee, *Chairman*

ERNEST F. HOLLINGS, South Carolina
J. BENNETT JOHNSTON, Louisiana
DONALD W. RIEGLE, Jr., Michigan
J. JAMES EXON, Nebraska
FRANK R. LAUTENBERG, New Jersey
PAUL SIMON, Illinois
TERRY SANFORD, North Carolina
TIMOTHY WIRTH, Colorado
WYCHE FOWLER, Jr., Georgia
KENT CONRAD, North Dakota
CHRISTOPHER J. DODD, Connecticut
CHARLES S. ROBB, Virginia

PETE V. DOMENICI, New Mexico
WILLIAM L. ARMSTRONG, Colorado
RUDY BOSCHWITZ, Minnesota
STEVE D. SYMMS, Idaho
CHARLES E. GRASSLEY, Iowa
ROBERT W. KASTEN, Jr., Wisconsin
DON NICKLES, Oklahoma
WARREN RUDMAN, New Hampshire
PHIL GRAMM, Texas
CHRISTOPHER BOND, Missouri

John L. Hilley, *Staff Director*
G. William Hoagland, *Minority Staff Director*

CONTENTS

Page

SENATE CONCURRENT RESOLUTION 129 v

Chapter I. INTRODUCTION 3

Chapter II. OVERVIEW OF COMMITTEE RECOMMENDATION 5

Chapter III. SUMMARY OF COMMITTEE RECOMMENDATION 9

- Revenue Recommendation 9
- Spending and Credit Recommendations by Function 29
  - (050) National Defense 30
  - (150) International Affairs 33
  - (250) General Science, Space, and Technology 35
  - (270) Energy 37
  - (300) Natural Resources and Environment 39
  - (350) Agriculture 41
  - (370) Commerce and Housing Credit 43
  - (400) Transportation 46
  - (450) Community and Regional Development 48
  - (500) Education, Training, Employment, and Social Services 50
  - (550) Health 53
  - (570) Medicare 54
  - (600) Income Security 56
  - (650) Social Security 58
  - (700) Veterans Benefits and Services 60
  - (750) Administration of Justice 61
  - (800) General Government 63
  - (900) Net Interest 64
  - (920) Allowances 65
  - (950) Undistributed Offsetting Receipts 66
- Miscellaneous Provisions in the Resolution 67

Chapter IV. ENFORCEMENT PROCEDURES AND SCOREKEEPING 69

- Reconciliation Instructions 69
- Spending and Credit Allocations 71
- Economic Assumptions and Scorekeeping 73

Chapter V. SUMMARY TABLES 75

Chapter VI. VIEWS AND ESTIMATES OF SENATE COMMITTEES 81

- Budget Committee Letter, Requesting Spending Estimates 82
- Agriculture, Nutrition, and Forestry 83
- Appropriations 90
- Armed Services 154
- Banking, Housing, and Urban Affairs 157
- Commerce, Science, and Transportation 162
- Energy and Natural Resources 170
- Environment and Public Works 186
- Finance 196
- Foreign Relations 338
- Governmental Affairs 341
- Judiciary 343
- Labor and Human Resources 352
- Rules and Administration 367

Chapter VI. VIEWS AND ESTIMATES OF SENATE COMMITTEES—Continued Page
Small Business 370
Veterans Affairs 373
Select Committee on Indian Affairs 434
Special Committee on Aging 514
Joint Economic Committee 568
Joint Committee on Taxation 573

ROLLCALL VOTES IN COMMITTEE 599

VIEWS OF COMMITTEE MEMBERS 603

Additional Views of:
Mr. Riegle 603
Mr. Sanford 606
Mr. Conrad 607
Mr. Dodd 611
Minority Views of:
Mr. Domenici 612
Mr. Boschwitz 615
Mr. Rudman 617
Mr. Gramm 620
Messrs. Bond and Boschwitz 621

GENERAL NOTES

Fiscal Years—All years are fiscal years unless otherwise indicated.

Rounding—In the case of all tables, details may not add to totals due to rounding.

(*)—An asterisk indicates an amount less than $50 million in dollar amounts and less than one-half percent in the case of percentages.

BA—Budget Authority.

O—Outlays.

DL—Direct Loan.

LG—Primary Loan Guarantee.

SLG—Secondary Loan Guarantee.

NA—Not Available.

Calendar No. 540

101st CONGRESS
2d Session

S. CON. RES. 129

[Report No. 101–283]

Setting forth the congressional budget for the United States Government for fiscal years 1991, 1992, 1993, 1994, and 1995.

IN THE SENATE OF THE UNITED STATES

MAY 10 (legislative day, APRIL 18), 1990

Mr. SASSER submitted the following original concurrent resolution; which was placed on the calendar

---

CONCURRENT RESOLUTION

Setting forth the congressional budget for the United States Government for fiscal years 1991, 1992, 1993, 1994, and 1995.

Resolved by the Senate (the House of Representatives concurring), That the Congress determines and declares that the concurrent resolution on the budget for fiscal year 1991 is established and the appropriate budgetary levels for fiscal years 1992, 1993, 1994, and 1995 are set forth.

MAXIMUM DEFICIT AMOUNTS

SEC. 2. The following levels and amounts in this section are set forth for purposes of determining, in accordance with section 301(i) of the Congressional Budget and Impoundment Control Act of 1974 (as amended by the Balanced Budget and Emergency Deficit Control Act of 1985 and the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987), whether the maximum deficit amount for a fiscal year has been exceeded, and as set forth in this concurrent resolution, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1991: $1,180,600,000,000.
Fiscal year 1992: $1,258,600,000,000.
Fiscal year 1993: $1,349,100,000,000.
Fiscal year 1994: $1,427,700,000,000.
Fiscal year 1995: $1,507,900,000,000.

(2) The appropriate levels of total budget authority are as follows:

Fiscal year 1991: $1,420,400,000,000.
Fiscal year 1992: $1,453,000,000,000.
Fiscal year 1993: $1,528,900,000,000.
Fiscal year 1994: $1,585,000,000,000.

Fiscal year 1995: $1,656,700,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1991: $1,228,100,000,000.
Fiscal year 1992: $1,263,900,000,000.
Fiscal year 1993: $1,301,200,000,000.
Fiscal year 1994: $1,336,200,000,000.
Fiscal year 1995: $1,371,400,000,000.

(4) The amounts of the deficits or surpluses are as follows:

Fiscal year 1991: −$47,500,000,000 (deficit).
Fiscal year 1992: −$5,300,000,000 (deficit).
Fiscal year 1993: $47,900,000,000 (surplus).
Fiscal year 1994: $91,500,000,000 (surplus).
Fiscal year 1995: $136,500,000,000 (surplus).

DEBT INCREASE AS ONE MEASURE OF DEFICIT

SEC. 3. The amounts of the increase in the public debt subject to limitation are as follows:

Fiscal year 1991: $184,300,000,000.
Fiscal year 1992: $146,700,000,000.
Fiscal year 1993: $107,100,000,000.
Fiscal year 1994: $76,300,000,000.
Fiscal year 1995: $45,700,000,000.

DEFICIT LEVELS EXCLUDING TRUST FUND SURPLUSES

SEC. 4. (a)(1) The amounts of the surpluses of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are as follows:

Fiscal year 1991: $74,300,000,000.

Fiscal year 1992: $85,100,000,000.

Fiscal year 1993: $97,400,000,000.

Fiscal year 1994: $111,700,000,000.

Fiscal year 1995: $127,100,000,000.

(2) The amounts of the deficits or surpluses excluding the receipts and disbursements of the Federal Old-Age Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund are as follows:

Fiscal year 1991: −$121,800,000,000 (deficit).

Fiscal year 1992: −$90,400,000,000 (deficit).

Fiscal year 1993: −$49,500,000,000 (deficit).

Fiscal year 1994: −$20,200,000,000 (deficit).

Fiscal year 1995: $9,400,000,000 (surplus).

(b) The amounts of the deficits excluding the receipts and disbursements of all Federal trust funds are as follows:

Fiscal year 1991: −$185,200,000,000.

Fiscal year 1992: −$148,700,000,000.

Fiscal year 1993: −$104,800,000,000.

Fiscal year 1994: −$74,000,000,000.

Fiscal year 1995: −$42,900,000,000.

BUDGET ACCOUNTABILITY AS WOULD BE REQUIRED BY S. 101

SEC. 5. The Congress finds that while the annual deficits, as currently defined, appear to be decreasing, the Federal debt continues to increase annually by significantly greater amounts. The following levels and amounts in this section are set forth to show this discrepancy, as would be required by S. 101:

Fiscal Year 1991:

(1) Retirement funds budget:

Fiscal year surplus: $129,900,000,000.

Trust balances at end of fiscal year: $783,800,000,000.

(2) Operating budget:

Surplus for fiscal year: $97,400,000,000.

(3) Debt and interest budget:

Debt at beginning of fiscal year: $3,112,100,000,000.

Debt at end of fiscal year: $3,296,400,000,000.

Gross interest: $274,700,000,000.

Debt increase (Deficit): $184,300,000,000.

Fiscal Year 1992:

(1) Retirement funds budget:

Fiscal year surplus: $138,900,000,000.

Trust balances at end of fiscal year: $922,700,000,000.

(2) Operating budget:

Surplus for fiscal year: $142,100,000,000.

(3) Debt and interest budget:

Debt at beginning of fiscal year: $3,296,400,000,000.

Debt at end of fiscal year: $3,443,100,000,000.

Gross interest: $286,300,000,000.

Debt increase (Deficit): $146,700,000,000.

Fiscal Year 1993:

(1) Retirement funds budget:

Fiscal year surplus: $150,000,000,000.

Trust balances at end of fiscal year: $1,072,700,000,000.

(2) Operating budget:

Surplus for fiscal year: $193,800,000,000.

(3) Debt and interest budget:

Debt at beginning of fiscal year: $3,443,100,000,000.

Debt at end of fiscal year: $3,550,200,000,000.

Gross interest: $296,000,000,000.

Debt increase (Deficit): $107,100,000,000.

Fiscal Year 1994:

(1) Retirement funds budget:

Fiscal year surplus: $163,500,000,000.

Trust balances at end of fiscal year: $1,236,300,000,000.

(2) Operating budget:

Surplus for fiscal year: $231,800,000,000.

(3) Debt and interest budget:

Debt at beginning of fiscal year: $3,550,200,000,000.

Debt at end of fiscal year: $3,626.500,000,000.

Gross interest: $303,900,000,000.

Debt increase (Deficit): $76,300,000,000.

Fiscal Year 1995:

(1) Retirement funds budget:

Fiscal year surplus: $178,100,000,000.

Trust balances at end of fiscal year: $1,414,400,000,000.

(2) Operating budget:

Surplus for fiscal year: $268,100,000,000.

(3) Debt and interest budget:

Debt at beginning of fiscal year: $3,626,500,000,000.

Debt at end of fiscal year: $3,672,200,000,000.

Gross interest: $309,700,000,000.

Debt increase (Deficit): $45,700,000,000.

RECOMMENDED LEVELS AND AMOUNTS

SEC. 6. (a) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1990, October 1, 1991, October 1, 1992, October 1, 1993, and October 1, 1994:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1991: $871,700,000,000.

Fiscal year 1992: $928,900,000,000.

Fiscal year 1993: $996,900,000,000.

Fiscal year 1994: $1,051,600,000,000.

Fiscal year 1995: $1,107,100,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1991: $25,200,000,000.
Fiscal year 1992: $25,200,000,000.
Fiscal year 1993: $27,400,000,000.
Fiscal year 1994: $27,800,000,000.
Fiscal year 1995: $29,400,000,000.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:

Fiscal year 1991: $74,600,000,000.
Fiscal year 1992: $79,600,000,000.
Fiscal year 1993: $85,100,000,000.
Fiscal year 1994: $91,000,000,000.
Fiscal year 1995: $97,000,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1991: $1,111,400,000,000.
Fiscal year 1992: $1,123,100,000,000.
Fiscal year 1993: $1,176,300,000,000.
Fiscal year 1994: $1,208,200,000,000.
Fiscal year 1995: $1,255,200,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1991: $993,500,000,000.

Fiscal year 1992: $1,019,300,000,000.

Fiscal year 1993: $1,046,400,000,000.

Fiscal year 1994: $1,071,800,000,000.

Fiscal year 1995: $1,097,700,000,000.

(4) The amounts of the deficits or surpluses are as follows:

Fiscal year 1991: −$121,800,000,000 (deficit).

Fiscal year 1992: −$90,400,000,000 (deficit).

Fiscal year 1993: −$49,500,000,000 (deficit).

Fiscal year 1994: −$20,200,000,000 (deficit).

Fiscal year 1995: $9,400,000,000 (surplus).

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1991: $3,296,400,000,000.

Fiscal year 1992: $3,443,100,000,000.

Fiscal year 1993: $3,550,200,000,000.

Fiscal year 1994: $3,626,500,000,000.

Fiscal year 1995: $3,672,200,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1,

1990, October 1, 1991, October 1, 1992, October 1, 1993, and October 1, 1994, are as follows:

Fiscal year 1991:

(A) New direct loan obligations, $21,200,000,000.

(B) New primary loan guarantee commitments, $106,700,000,000.

(C) New secondary loan guarantee commitments, $85,700,000,000.

Fiscal year 1992:

(A) New direct loan obligations, $18,000,000,000.

(B) New primary loan guarantee commitments, $110,100,000,000.

(C) New secondary loan guarantee commitments, $85,400,000,000.

Fiscal year 1993:

(A) New direct loan obligations, $18,300,000,000.

(B) New primary loan guarantee commitments, $112,700,000,000.

(C) New secondary loan guarantee commitments, $88,600,000,000.

Fiscal year 1994:

(A) New direct loan obligations, $18,700,000,000.

(B) New primary loan guarantee commitments, $116,100,000,000.

(C) New secondary loan guarantee commitments, $91,900,000,000.

Fiscal year 1995:

(A) New direct loan obligations, $18,900,000,000.

(B) New primary loan guarantee commitments, $119,500,000,000.

(C) New secondary loan guarantee commitments, $95,500,000,000.

(b) The Congress hereby determines and declares that the appropriate levels of new budget authority and budget outlays, and the appropriate levels of new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments for fiscal years 1991 through 1995 for each major functional category are:

(1) National Defense (050):

Fiscal year 1991:

(A) New budget authority, $285,600,000,000.

(B) Outlays, $293,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $285,400,000,000.

(B) Outlays, $289,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $285,400,000,000.

(B) Outlays, $285,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $285,500,000,000.

(B) Outlays, $287,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $285,500,000,000.

(B) Outlays, $282,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1991:

(A) New budget authority, $19,100,000,000.

(B) Outlays, $16,900,000,000.

(C) New direct loan obligations, $2,000,000,000.

(D) New primary loan guarantee commitments, $7,200,000,000.

(E) New secondary loan guarantee commitments, $400,000,000.

Fiscal year 1992:

(A) New budget authority, $19,800,000,000.

(B) Outlays, $18,000,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $7,200,000,000.

(E) New secondary loan guarantee commitments, $400,000,000.

Fiscal year 1993:

(A) New budget authority, $20,600,000,000.

(B) Outlays, $18,500,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $7,500,000,000.

(E) New secondary loan guarantee commitments, $400,000,000.

Fiscal year 1994:

(A) New budget authority, $21,300,000,000.

(B) Outlays, $18,600,000,000.

(C) New direct loan obligations, $2,200,000,000.

(D) New primary loan guarantee commitments, $7,800,000,000.

(E) New secondary loan guarantee commitments, $400,000,000.

Fiscal year 1995:

(A) New budget authority, $22,600,000,000.

(B) Outlays, $19,600,000,000.

(C) New direct loan obligations, $2,300,000,000.

(D) New primary loan guarantee commitments, $8,100,000,000.

(E) New secondary loan guarantee commitments, $500,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 1991:

(A) New budget authority, $16,600,000,000.

(B) Outlays, $16,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $17,300,000,000.

(B) Outlays, $17,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $18,000,000,000.

(B) Outlays, $17,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $18,700,000,000.

(B) Outlays, $18,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $19,500,000,000.

(B) Outlays, $19,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(4) Energy (270):

Fiscal year 1991:

(A) New budget authority, $6,000,000,000.

(B) Outlays, $4,100,000,000.

(C) New direct loan obligations, $2,000,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $5,300,000,000.

(B) Outlays, $4,000,000,000.

(C) New direct loan obligations, $1,600,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $6,000,000,000.

(B) Outlays, $4,800,000,000.

(C) New direct loan obligations, $1,900,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $6,400,000,000.

(B) Outlays, $5,200,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $6,800,000,000.

(B) Outlays, $4,800,000,000.

(C) New direct loan obligations, $2,300,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(5) Natural Resources and Environment (300):

Fiscal year 1991:

(A) New budget authority, $18,000,000,000.

(B) Outlays, $18,600,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $19,100,000,000.

(B) Outlays, $19,200,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $19,800,000,000.

(B) Outlays, $19,800,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $20,500,000,000.

(B) Outlays, $20,200,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $21,300,000,000.

(B) Outlays, $20,700,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(6) Agriculture (350):

Fiscal year 1991:

(A) New budget authority, $20,200,000,000.

(B) Outlays, $16,400,000,000.

(C) New direct loan obligations, $9,100,000,000.

(D) New primary loan guarantee commitments, $7,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $23,000,000,000.

(B) Outlays, $17,600,000,000.

(C) New direct loan obligations, $8,900,000,000.

(D) New primary loan guarantee commitments, $7,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $20,600,000,000.

(B) Outlays, $16,300,000,000.

(C) New direct loan obligations, $8,700,000,000

(D) New primary loan guarantee commitments, $6,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $18,800,000,000.

(B) Outlays, $15,900,000,000.

(C) New direct loan obligations, $8,700,000,000

(D) New primary loan guarantee commitments, $6,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $19,800,000,000.

(B) Outlays, $15,200,000,000.

(C) New direct loan obligations, $8,500,000,000

(D) New primary loan guarantee commitments, $6,800,000,000.

(E) New secondary loan guarantee commitments, $0.

(7) Commerce and Housing Credit (370):

Fiscal year 1991:

(A) New budget authority, $44,700,000,000.

(B) Outlays, $44,900,000,000.

(C) New direct loan obligations, $6,200,000,000.

(D) New primary loan guarantee commitments, $63,300,000,000.

(E) New secondary loan guarantee commitments, $85,300,000,000.

Fiscal year 1992:

(A) New budget authority, $14,600,000,000.

(B) Outlays, $4,400,000,000.

(C) New direct loan obligations, $3,500,000,000.

(D) New primary loan guarantee commitments, $65,500,000,000.

(E) New secondary loan guarantee commitments, $85,000,000,000.

Fiscal year 1993:

(A) New budget authority, $26,700,000,000.

(B) Outlays, $14,600,000,000.

(C) New direct loan obligations, $3,600,000,000.

(D) New primary loan guarantee commitments, $67,800,000,000.

(E) New secondary loan guarantee commitments, $88,200,000,000.

Fiscal year 1994:

(A) New budget authority, $15,100,000,000.

(B) Outlays, $2,000,000,000.

(C) New direct loan obligations, $3,700,000,000.

(D) New primary loan guarantee commitments, $70,300,000,000.

(E) New secondary loan guarantee commitments, $91,500,000,000.

Fiscal year 1995:

(A) New budget authority, $16,600,000,000.

(B) Outlays, $4,100,000,000.

(C) New direct loan obligations, $3,800,000,000.

(D) New primary loan guarantee commitments, $72,800,000,000.

(E) New secondary loan guarantee commitments, $95,000,000,000.

(8) Transportation (400):

Fiscal year 1991:

(A) New budget authority, $33,400,000,000.

(B) Outlays, $31,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $35,200,000,000.

(B) Outlays, $33,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $36,700,000,000.

(B) Outlays, $35,900,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $37,700,000,000.

(B) Outlays, $37,700,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $39,400,000,000.

(B) Outlays, $39,400,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(9) Community and Regional Development (450):

Fiscal year 1991:

(A) New budget authority, $8,300,000,000.

(B) Outlays, $7,900,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $8,100,000,000.

(B) Outlays, $7,400,000,000.

(C) New direct loan obligations, $1,200,000,000.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $8,200,000,000.

(B) Outlays, $7,500,000,000.

(C) New direct loan obligations, $1,200,000,000.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $8,700,000,000.

(B) Outlays, $7,800,000,000.

(C) New direct loan obligations, $1,300,000,000.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $8,800,000,000.

(B) Outlays, $8,100,000,000.

(C) New direct loan obligations, $1,300,000,000.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1991:

(A) New budget authority, $47,500,000,000.

(B) Outlays, $42,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $12,800,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $48,400,000,000.

(B) Outlays, $47,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $13,500,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $49,500,000,000.

(B) Outlays, $48,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $13,800,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $51,600,000,000.

(B) Outlays, $50,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $14,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $53,700,000,000.

(B) Outlays, $52,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $14,100,000,000.

(E) New secondary loan guarantee commitments, $0.

(11) Health (550):

Fiscal year 1991:

(A) New budget authority, $65,700,000,000.

(B) Outlays, $64,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $73,200,000,000.

(B) Outlays, $72,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $80,600,000,000.

(B) Outlays, $80,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $88,800,000,000.

(B) Outlays, $88,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $97,800,000,000.

(B) Outlays, $96,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $400,000,000.

(E) New secondary loan guarantee commitments, $0.

(12) Medicare (570):

Fiscal year 1991:

(A) New budget authority, $123,600,000,000.

(B) Outlays, $103,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $134,600,000,000.

(B) Outlays, $116,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $147,300,000,000.

(B) Outlays, $129,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $161,000,000,000.

(B) Outlays, $144,500,000,000.

(C) New direct loan obligations, $0

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $175,400,000,000.

(B) Outlays, $160,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(13) Income Security (600):

Fiscal year 1991:

(A) New budget authority, $202,100,000,000.

(B) Outlays, $155,700,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $209,800,000,000.

(B) Outlays, $164,100,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $217,400,000,000.

(B) Outlays, $175,000,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $228,000,000,000.

(B) Outlays, $186,100,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $236,900,000,000.

(B) Outlays, $194,400,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(14) Social Security (650):

Fiscal year 1991:

(A) New budget authority, $3,800,000,000.

(B) Outlays, $3,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $4,400,000,000.

(B) Outlays, $4,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $4,900,000,000.

(B) Outlays, $4,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $5,300,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $5,900,000,000.

(B) Outlays, $5,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1991:

(A) New budget authority, $32,100,000,000.

(B) Outlays, $31,400,000,000.

(C) New direct loan obligations, $600,000,000.

(D) New primary loan guarantee commitments, $15,600,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $32,900,000,000.

(B) Outlays, $32,400,000,000.

(C) New direct loan obligations, $500,000,000.

(D) New primary loan guarantee commitments, $15,900,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $33,800,000,000.

(B) Outlays, $33,600,000,000.

(C) New direct loan obligations, $500,000,000.

(D) New primary loan guarantee commitments, $16,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $34,800,000,000.

(B) Outlays, $36,000,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $16,600,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $35,700,000,000.

(B) Outlays, $35,700,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $16,900,000,000.

(E) New secondary loan guarantee commitments, $0.

(16) Administration of Justice (750):

Fiscal year 1991:

(A) New budget authority, $13,100,000,000.

(B) Outlays, $13,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $13,800,000,000.

(B) Outlays, $14,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $14,400,000,000.

(B) Outlays, $14,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $15,000,000,000.

(B) Outlays, $14,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $15,600,000,000.

(B) Outlays, $15,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(17) General Government (800):

Fiscal year 1991:

(A) New budget authority, $12,200,000,000.

(B) Outlays, $10,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $13,000,000,000.

(B) Outlays, $11,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $13,500,000,000.

(B) Outlays, $12,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $13,900,000,000.

(B) Outlays, $12,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $14,400,000,000.

(B) Outlays, $13,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(18) Net Interest (900):

Fiscal year 1991:

(A) New budget authority, $203,500,000,000.

(B) Outlays, $203,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, $210,600,000,000.

(B) Outlays, $210,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, $219,000,000,000.

(B) Outlays, $219,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, $225,000,000,000.

(B) Outlays, $225,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, $228,800,000,000.

(B) Outlays, $228,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(19) The corresponding levels of gross interest on the public debt are as follows:

Fiscal year 1991: $274,700,000,000.

Fiscal year 1992: $286,300,000,000.

Fiscal year 1993: $296,000,000,000.

Fiscal year 1994: $303,900,000,000.

Fiscal year 1995: $309,700,000,000.

(20) Allowances (920):

Fiscal year 1991:

(A) New budget authority, −$200,000,000.

(B) Outlays, −$200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, −$200,000,000.

(B) Outlays, −$200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, −$200,000,000.

(B) Outlays, −$200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, −$200,000,000.

(B) Outlays, −$200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, −$300,000,000.

(B) Outlays, −$300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(21) Undistributed Offsetting Receipts (950):

(A) Fiscal year 1991:

(A) New budget authority, −$43,900,000,000.

(B) Outlays, −$84,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1992:

(A) New budget authority, −$45,200,000,000.

(B) Outlays, −$65,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1993:

(A) New budget authority, −$45,900,000,000.

(B) Outlays, −$91,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1994:

(A) New budget authority, −$47,700,000,000.

(B) Outlays, −$103,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1995:

(A) New budget authority, −$49,000,000,000.

(B) Outlays, −$118,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

RECONCILIATION

SEC. 7. (a) Not later than July 20, 1990, the committees named in subsections (b) and (c) of this section shall submit their recommendations to the Committees on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

SENATE COMMITTEES

(b)(1) The Senate Committee on Agriculture, Nutrition, and Forestry shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $0 in budget authority and $0 in outlays in fiscal year 1991; $0 in budget authority and $0 in outlays in fiscal year 1992; $0 in budget authority and $0 in outlays in fiscal year 1993; $0 in budget authority and $0 in outlays in fiscal year 1994; and $0 in budget authority and $0 in outlays in fiscal year 1995.

(2) The Senate Committee on Armed Services shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce outlays: $220,000,000 in fiscal year 1991; $310,000,000 in fiscal year 1992; $320,000,000 in fiscal year 1993; $340,000,000 in fiscal year 1994; and $360,000,000 in fiscal year 1995.

(3)(A) The Senate Committee on Banking, Housing, and Urban Affairs shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce outlays: $570,000,000 in fiscal year 1991; $910,000,000 in fiscal year 1992; $780,000,000 in fiscal year 1993; $830,000,000 in fiscal year 1994; and $910,000,000 in fiscal year 1995.

(B) The Senate Committee on Banking, Housing, and Urban Affairs shall report changes in laws within its jurisdiction sufficient to increase revenues: $90,000,000 in fiscal year 1991; $100,000,000 in fiscal year 1992; $100,000,000 in fiscal year 1993; $110,000,000 in fiscal year 1994; and $110,000,000 in fiscal year 1995.

(4) The Senate Committee on Commerce, Science, and Transportation shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $300,000,000 in budget authority and $300,000,000 in outlays in fiscal year 1991; $330,000,000 in budget authority and $330,000,000 in outlays in fiscal year 1992; $340,000,000 in budget authority and $340,000,000 in outlays in fiscal year 1993; $350,000,000 in budget authority and $350,000,000 in outlays in fiscal year 1994; and $350,000,000 in budget authority and $350,000,000 in outlays in fiscal year 1995.

(5) The Senate Committee on Energy and Natural Resources shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient

to reduce budget authority and outlays as follows: $210,000,000 in budget authority and $160,000,000 in outlays in fiscal year 1991; $220,000,000 in budget authority and $220,000,000 in outlays in fiscal year 1992; $220,000,000 in budget authority and $220,000,000 in outlays in fiscal year 1993; $230,000,000 in budget authority and $230,000,000 in outlays in fiscal year 1994; and $230,000,000 in budget authority and $230,000,000 in outlays in fiscal year 1995.

(6) The Senate Committee on Environment and Public Works shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $220,000,000 in budget authority and $220,000,000 in outlays in fiscal year 1991; $240,000,000 in budget authority and $240,000,000 in outlays in fiscal year 1992; $250,000,000 in budget authority and $250,000,000 in outlays in fiscal year 1993; $260,000,000 in budget authority and $260,000,000 in outlays in fiscal year 1994; and $270,000,000 in budget authority and $270,000,000 in outlays in fiscal year 1995.

(7)(A) The Senate Committee on Finance shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce outlays: $2,000,000,000 in fiscal year 1991; $3,620,000,000 in fiscal year 1992; $5,180,000,000 in fiscal year 1993; $6,830,000,000 in fiscal year 1994; and $8,650,000,000 in fiscal year 1995.

(B) The Senate Committee on Finance shall report changes in laws within its jurisdiction sufficient to increase revenues: $13,900,000,000 in fiscal year 1991; $13,900,000,000 in fiscal year 1992; $13,900,000,000 in fiscal year 1993; $13,900,000,000 in fiscal year 1994; and $13,900,000,000 in fiscal year 1995.

(C) The Senate Committee on Finance shall report changes in laws within its jurisdiction sufficient to increase contributions: $5,760,000,000 in fiscal year 1991; $5,760,000,000 in fiscal year 1992; $5,760,000,000 in fiscal year 1993; $5,760,000,000 in fiscal year 1994; and $5,760,000,000 in fiscal year 1995.

(8) The Senate Committee on Governmental Affairs shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act,

or any combination thereof) sufficient to reduce outlays: $1,710,000,000 in fiscal year 1991; $1,510,000,000 in fiscal year 1992; $850,000,000 in fiscal year 1993; $930,000,000 in fiscal year 1994; and $1,000,000,000 in fiscal year 1995.

(9)(A) The Senate Committee on Labor and Human Resources shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce outlays: $70,000,000 in fiscal year 1991; $70,000,000 in fiscal year 1992; $70,000,000 in fiscal year 1993; $70,000,000 in fiscal year 1994; and $70,000,000 in fiscal year 1995.

(B) The Senate Committee on Labor and Human Services shall report changes in laws within its jurisdiction sufficient to increase revenues: $110,000,000 in fiscal year 1991; $230,000,000 in fiscal year 1992; $280,000,000 in fiscal year 1993; $330,000,000 in fiscal year 1994; and $380,000,000 in fiscal year 1995.

(10) The Senate Committee on Small Business shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act,

or any combination thereof) sufficient to reduce budget authority and outlays as follows: $50,000,000 in budget authority and $50,000,000 in outlays in fiscal year 1991; $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1992; $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1993; 60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1994; and $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1995.

(11) The Senate Committee on Veterans' Affairs shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $400,000,000 in budget authority and $380,000,000 in outlays in fiscal year 1991; $450,000,000 in budget authority and $450,000,000 in outlays in fiscal year 1992; $460,000,000 in budget authority and $480,000,000 in outlays in fiscal year 1993; $460,000,000 in budget authority and $490,000,000 in outlays in fiscal year 1994; and $490,000,000 in budget authority and $510,000,000 in outlays in fiscal year 1995.

HOUSE COMMITTEES

(c)(1) The House Committee on Agriculture shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $0 in budget authority and $0 in outlays in fiscal year 1991; $0 in budget authority and $0 in outlays in fiscal year 1992; $0 in budget authority and $0 in outlays in fiscal year 1993; $0 in budget authority and $0 in outlays in fiscal year 1994; and $0 in budget authority and $0 in outlays in fiscal year 1995.

(2) The House Committee on Armed Services shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce outlays: $220,000,000 in fiscal year 1991; $310,000,000 in fiscal year 1992; $320,000,000 in fiscal year 1993; $340,000,000 in fiscal year 1994; and $360,000,000 in fiscal year 1995.

(3)(A) The House Committee on Banking, Finance and Urban Affairs shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce outlays: $570,000,000 in fiscal year 1991; $910,000,000 in in fiscal year 1992; $780,000,000 in fiscal year 1993; $830,000,000 in fiscal year 1994; and $910,000,000 in fiscal year 1995.

(B) The House Committee on Banking, Finance and Urban Affairs shall report changes in laws within its jurisdiction sufficient to increase revenues: $90,000,000 in fiscal year 1991; $100,000,000 in fiscal year 1992; $100,000,000 in fiscal year 1993; $110,000,000 in fiscal year 1994; and $110,000,000 in fiscal year 1995.

(4)(A) The House Committee on Education and Labor shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce outlays: $70,000,000 in fiscal year 1991; $70,000,000 in fiscal year 1992; $70,000,000 in fiscal year 1993; $70,000,000 in fiscal year 1994; and $70,000,000 in fiscal year 1995.

(B) The House Committee on Education and Labor shall report changes in laws within its jurisdiction sufficient to increase revenues: $110,000,000 in fiscal year 1991; $230,000,000 in fiscal year 1992; $280,000,000 in fiscal year 1993; $330,000,000 in fiscal year 1994; and $380,000,000 in fiscal year 1995.

(5) The House Committee on Energy and Commerce shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $420,000,000 in budget authority and $420,000,000 in outlays in fiscal year 1991; $470,000,000 in budget authority and $470,000,000 in outlays in fiscal year 1992; $490,000,000 in budget authority and $490,000,000 in outlays in fiscal year 1993; $510,000,000 in budget authority and $510,000,000 in outlays in fiscal year 1994; and $520,000,000 in budget authority and $520,000,000 in outlays in fiscal year 1995.

(6) The House Committee on Interior and Insular Affairs shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $210,000,000 in budget authority and $160,000,000 in outlays in fiscal year 1991; $220,000,000 in budget authority and $220,000,000 in outlays in fiscal year 1992; $220,000,000 in budget authority and $220,000,000 in outlays in fiscal year 1993;

$230,000,000 in budget authority and $230,000,000 in outlays in fiscal year 1994; and $230,000,000 in budget authority and $230,000,000 in outlays in fiscal year 1995.

(7) The House Committee on Merchant Marine and Fisheries shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $100,000,000 in budget authority and $100,000,000 in outlays in fiscal year 1991; $100,000,000 in budget authority and $100,000,000 in outlays in fiscal year 1992; $100,000,000 in budget authority and $100,000,000 in outlays in fiscal year 1993; $100,000,000 in budget authority and $100,000,000 in outlays in fiscal year 1994; and $100,000,000 in budget authority and $100,000,000 in outlays in fiscal year 1995.

(8) The House Committee on Post Office and Civil Service shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce outlays: $1,710,000,000 in fiscal year 1991;

$1,510,000,000 in fiscal year 1992; $850,000,000 in fiscal year 1993; $930,000,000 in fiscal year 1994; and 1,000,000,000 in fiscal year 1995.

(9) The House Committee on Small Business shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $50,000,000 in budget authority and $50,000,000 in outlays in fiscal year 1991; $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1992; $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1993; $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1994; and $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1995.

(10) The House Committee on Veterans' Affairs shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce budget authority and outlays as follows: $400,000,000 in budget authority and $380,000,000 in outlays in fiscal year 1991;

$450,000,000 in budget authority and $450,000,000 in outlays in fiscal year 1992; $460,000,000 in budget authority and $480,000,000 in outlays in fiscal year 1993; $460,000,000 in budget authority and $490,000,000 in outlays in fiscal year 1994; and $490,000,000 in budget authority and $510,000,000 in outlays in fiscal year 1995.

(11)(A) The House Committee on Ways and Means shall report changes in laws within its jurisdiction that provide spending authority (as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, other than as defined in section 401(c)(2)(C) of the Act, or any combination thereof) sufficient to reduce outlays: $2,000,000,000 in fiscal year 1991; $3,620,000,000 in fiscal year 1992; $5,180,000,000 in fiscal year 1993; $6,830,000,000 in fiscal year 1994; and $8,650,000,000 in fiscal year 1995.

(B) The House Committee on Ways and Means shall report changes in laws within its jurisdiction sufficient to increase revenues: $13,900,000,000 in fiscal year 1991; $13,900,000,000 in fiscal year 1992; $13,900,000,000 in fiscal year 1993; $13,900,000,000 in fiscal year 1994; and $13,900,000,000 in fiscal year 1995.

(C) The House Committee on Ways and Means shall report changes in laws within its jurisdiction sufficient to increase contributions: $5,760,000,000 in fiscal year 1991;

$5,760,000,000 in fiscal year 1992; $5,760,000,000 in fiscal year 1993; $5,760,000,000 in fiscal year 1994; and $5,760,000,000 in fiscal year 1995.

SALE OF GOVERNMENT ASSETS

SEC. 8. (a) It is the sense of the Congress that--

(1) from time to time the United States Government should sell assets to nongovernment buyers; and

(2) the amounts realized from such asset sales will not recur on an annual basis and do not reduce the demand for credit.

(b) For purposes of allocations and points of order under section 302 of the Congressional Budget and Impoundment Control Act of 1974, the amounts realized from asset sales or prepayments of loans shall not be allocated to a committee and shall not be scored with respect to the level of budget authority or outlays under a committee's allocation under section 302 of that Act.

(c) For purposes of reconciliation under section 310 of the Congressional Budget and Impoundment Control Act of 1974, the amounts realized from asset sales or prepayments of loans shall not be scored with respect to the level of budget authority, outlays, contributions, or revenues reconciled under section 7 of this resolution.

(d) For purposes of this section—

(1) the terms "asset sale" and "prepayment of a loan" shall have the same meaning as under section

257(12) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987); and

(2) the terms "asset sale" and "prepayment of a loan" do not include asset sales mandated by law before September 18, 1987, and routine, ongoing asset sales and loan prepayments at levels consistent with agency operations in fiscal year 1986.

RESERVE FUND

SEC. 9. (a) It is assumed that, in the Senate, budget authority and outlays may be allocated to the Senate Committee on Finance for legislation that increases funding of programs within its jurisdiction if the Committee on Finance or the committee of conference on such legislation reports such legislation; provided that, to the extent that the costs of such legislation are not included in this resolution, the enactment of such legislation will not increase the deficit in this resolution for fiscal year 1991, and will not increase the total deficit for the period of fiscal years 1991 through 1995.

(b) Upon the reporting of legislation pursuant to subsection (a), and again upon the submission of a conference report on such legislation (if such a conference report is submitted), the Chairman of the Committee on the Budget of the Senate may file with the Senate appropriately revised allocations under section 302(a) of the Congressional Budget Act of

1974 and revised functional levels and aggregates to carry out this section. Such revised allocations, functional levels, and aggregates shall be considered for the purposes of such Act as allocations, functional levels, and aggregates contained in this resolution. The Committee on Finance shall report appropriately revised allocations pursuant to section 302(b) of such Act to carry out this section.

RECONCILIATION OF REVENUES

SEC. 10. (a) The Congress finds that, according to estimates provided by the Congressional Budget Office, the revenue sources proposed by the President in his budget submission would actually result in $4,500,000,000 less revenue than the amount of revenue that he proposed in his budget.

(b) It is the sense of the Congress that the President should propose revenue sources that would result in the amount of revenue increases that he proposed in his budget submission.

Calendar No. 540

101st Congress *2d Session*	SENATE	Report 101-283

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1991

May 10, (legislative day, April 18), 1990.—Ordered to be printed

Mr. Sasser, from the Committee on the Budget,
submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. Con. Res. 129]

The Committee on the Budget submits the following report, accompanying the Concurrent Resolution on the Budget and setting forth the congressional budget for the United States Government for fiscal years 1991, 1992, 1993, 1994, and 1995, pursuant to the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344).

Chapter I. INTRODUCTION

The following resolution—passed by the Senate Budget Committee with a bipartisan majority vote of 14 to 9—achieves $43 billion in legitimate, scorable savings, and offers a blueprint for up to $54 billion in overall deficit reduction for fiscal 1991. It constitutes the single most ambitious attack on the Federal deficit launched this decade.

The resolution represents a balanced, bold deficit reduction package that can be implemented and that can get behind us, once and for all, the fiscal gridlock that has paralyzed government for the better part of a decade. It is also a resolution that begins reordering our fiscal priorities to meet the demands of a new era in which economic vitality will be the true measure of the strength of nations.

The $43 billion in reconciled and appropriated savings would lead to a balanced "unified" budget by 1995 using the realistic economic assumptions of the Congressional Budget Office. The deficit—excluding the social security surpluses—would decline from $224 billion in 1991 to $111 billion in 1995.

Over a 5-year period, this package would reduce the deficit by a cumulative total of $416 billion. When we add the "Fair Share" component of increased collection on past-due taxes, total deficit reduction comes to about $480 billion over that 5-year period.

Every major component of this resolution contributes to deficit reduction: defense, nondefense discretionary, entitlements, and revenues. It is carefully balanced. It would not burden the American people beneath a heavy load of taxes. The total of approximately $20 billion in revenues, fees and collections is precisely what the President asks for in his own 1991 budget.

There are no gimmicks here: no asset sales; no payment shifts; no timing adjustments; no moving accounts on or off budget.

In that crucial respect, this budget is fundamentally different from the President's. Once the President's gimmicks and unscorable savings are stripped from his 1991 budget, he gets only $23 billion in real deficit reduction—only about half the hard savings achieved here.

In terms of policies, the fundamental difference is equally clear: the President takes $12.2 billion out of entitlements, largely out of medicare and farm programs, the kinds of cuts that have been consistently rejected by the Congress and the American people for the better part of a decade.

We, on the other hand, take $13 billion out of defense, a cut that is achievable, that leaves us with forces sufficient for the security needs of this nation, and that is consistent with the world of the 1990s.

Those are the crucial divergences between this approach and the approach of the President. We accept current reality with respect to unwarranted defense spending and we refuse the slideby approach with regard to the deficit.

Chapter II. OVERVIEW OF COMMITTEE RECOMMENDATION

OVERALL SAVINGS

The Committee recommendation is comprised of two major parts: $43 billion of savings achieved through the appropriations and reconciliation process and an $11.1 billion "Fair Share" initiative to collect past taxes that have not been paid. All together, the plan includes $54.1 billion of overall deficit reduction in 1991.

The $43 billion of reconciled and appropriated savings exceeds by $6 billion the amount necessary to meet the $64 billion target under the Gramm-Rudman-Hollings law using the latest economic assumptions of the Office of Management and Budget.

The $43 billion of reconciled and appropriated savings would lead to a balanced unified budget by 1995 using the more realistic economic assumptions of the Congressional Budget Office (CBO). The CBO deficit excluding social security surpluses would decline from $224 billion in 1990 to $111 billion in 1995.

The total backage, including the "Fair Share" component, would reduce the deficit by $479 billion over 5 years. The deficit excluding the social security surplus would drop to $96 billion by 1995.

SAVINGS AND DEFICITS IN COMMITTEE RECOMMENDATION

[In billions of dollars]

	1991	1992	1993	1994	1995
Savings:					
Reconciled and appropriated	−43.0	−60.9	−81.1	−103.2	−127.5
"Fair share"	−11.1	−11.0	−13.1	−13.5	−15.0
Total savings	−54.1	−71.9	−94.2	−116.7	−142.5
Deficits (excluding fair share):					
Unified (OMB)	58.6	16.3	(34.8)	(78.0)	(121.5)
Unified (CBO)	117.3	62.3	50.5	18.2	(16.7)
On-budget (CBO)	191.7	147.7	148.4	130.6	111.3
Federal funds (CBO)	243.9	194.7	190.0	170.2	147.7
Change in debt subject to limit (CBO)	243.1	192.7	192.4	172.7	150.6

Note: Amounts in parentheses denote a budget surplus.

THE MAJOR COMPONENTS

Each major category of the budget contributes to deficit reduction. Within the jurisdiction of the Appropriations Committee:

—*Defense spending* would be reduced $13 billion below the CBO baseline, $2.8 billion below the 1990 level.

—*Nondefense discretionary spending* would be reduced $3.6 billion below the CBO baseline, about $2 billion above the 1990 level.

Within the jurisdiction of the Authorizing Committees:

—*Entitlement and mandatory programs* would be reduced $5.6 billion below the CBO baseline.

—*Revenues* would be increased by $13.9 billion, *the same amount proposed by the President.*

—*Fees and collections* would be increased by $6.2 billion, *the same amount proposed by the President.*

DEFICIT REDUCTION IN COMMITTEE RECOMMENDATION

[In billions of dollars]

	1991
Defense	13.0
Nondefense discretionary	3.6
Entitlement and mandatory	5.6
Fees and collections	6.2
Revenues	13.9
Debt service	2.0
Offsets	−1.3
Subtotal, savings	43.0
Fair share	11.1
Grand total, savings	54.1

Within the $43 billion savings total there are no gimmicks, assets sales, timing adjustments, or movement of accounts on or off budget.

Last year's Summit Agreement was advertised to achieve $28 billion of deficit reduction. In fact, over $9 billion of these "savings" were budget gimmicks.

GIMMICKS IN THE 1990 BIPARTISAN BUDGET SUMMIT

[Reductions in billions]

Asset sales	5.7
Food stamps (unredeemed coupons)	0.5
Postal budgetary treatment	1.8
Agriculture	1.3
Total gimmicks	9.3

KEY DOMESTIC INITIATIVES

The Committee recommendation includes funding for several key domestic initiatives. The Committee believes that the Congress has a responsibility to provide funding increases for programs that meet important social needs and promote future economic growth. The human and physical resources of the nation are high priorities in this budget. Therefore, the Committee recommends funding increases in key program areas that strengthen the nation's infrastructure and promote a healthy and educated population.

These initiatives include:

Infrastructure and Growth:

—Science and Technology: NASA and the National Science Foundation.

—Air Safety: Federal Aviation Administration modernization and expansion.

Neglected Needs:

—Environment: Funding for Clean Air Legislation and EPA operations.

—Public Safety: Waste cleanup at DOE facilities.

—Drugs: Expansion of treatment and law enforcement.

Human Resources:

—Preparing for the Future: Expansions in education and training programs plus funding for Child Care Legislation.

—Early Intervention for At-Risk Children: Head Start, Women, Infants and Children (WIC) Feeding Program, and Maternal and Child Health.

—Health: Expansion of biomedical research (including AIDS) and Veterans Medical Care.

—Housing Crisis: Expansion of low income housing and homeless programs.

COMPARISON TO THE PRESIDENT'S BUDGET

Again this year the President's budget proposal falls well short of the challenge of true deficit reduction. After eliminating one-time savings, the total hard deficit reduction in the President's budget (using CBO assumptions) is approximately $23 billion, $20 billion less than the Committee recommendation.

Within the confines of a significantly greater level of deficit reduction than proposed by the President, the Committee budget departs significantly from many of the President's priorities.

—Defense spending is decreased by $2.8 billion below the 1990 level rather than increased by $7.0 billion as recommended by the President.

—The President's proposed $12.2 billion reduction in entitlement and mandatory programs is rejected—primarily the deep cuts in medicare and farm programs.

—The Committee recommendation refuses to treat federal retirees differently from other pension recipients. It rejects the President's call for a cost of living freeze and his deep cuts in health benefits.

The Committee recommendation adopts the President's proposed amount of increases both for revenues and for fees and collections.

Under the President's proposal, total spending would grow by 4.2 percent from 1990 to 1991. Overall spending however, grows by 3.4 percent in the Committee recommendation.

COMPARISON TO PAST BUDGETS

The total, permanent deficit reduction in the Committee recommendation exceeds first year permanent policy savings achieved in any of the past 9 years. The previous best was $25 billion in 1988, following the 500 point stock market decline in October of 1987.

Past budgets have relied heavily on gimmickry and one-time savings. Permanent savings are the key to deficit reduction. Historically, permanent savings have grown at an average annual rate of 20 to 40 percent in the outyears. One-time savings, by definition, disappear in the outyears.

FIRST YEAR DEFICIT REDUCTION: 1982–1990

[In billions of dollars]

	Permanent savings (−)		Total	One-time savings
	Revenues	Outlays		
1982	+38	−40	−2	0
1983	−20	−3	−23	0
1984	−4	+(*)	−3	0
1985	−10	−(*)	−11	12
1986	−1	−16	−17	0
1987	−8	−10	−17	−28
1988	−11	−15	−25	−9
1989	0	+5	+6	0
1990	+4	−6	−2	−8
Largest value	−20	−40	−25	−28

Source: Congressional Budget Office

Chapter III. SUMMARY OF COMMITTEE RECOMMENDATION

REVENUE RECOMMENDATIONS

The budget resolution assumes revenues of $1180.6 billion in 1991. Consistent wtih the President's budget, the resolution reconciles $13.9 billion in unspecified revenue increases to the Senate Finance Committee and the House Ways and Means Committee. The President's budget also proposed $13.9 billion in revenue increases.

In addition, the resolution includes $11.1 billion in unreconciled revenues for the "Fair Share" plan adopted by the Committee. Fair Share is an attempt to improve collection and enforcement efforts and does not involve any tax increases. Fair Share is comprised of two parts. First, it includes a $1.1 billion compliance initiative which would improve audit capabilities of the Internal Revenue Service (IRS). The second part of the plan involves a nation-wide tax-penalty waiver for citizens who owe taxes to the Federal Government.

The Committee recognizes that estimates of the outstanding revenues collected from the Fair Share plan will certainly differ. At the same time, the Committee believes Congress should look to ways to encourage people to pay taxes they already owe.

Finally, the Committee recommendation provides for two minor revenue increases reconciled to authorizing committees other than Finance and Ways and Means. Recommended revenue levels reflect administration economic and technical assumptions as they pertain to revenues under current law.

COMMITTEE REVENUE RECOMMENDATION

[In billions of dollars]

	1991	1992	1993	1994	1995
Committee recommendation	1180.6	1258.6	1349.1	1427.7	1507.9

OMB BASELINE REVENUES BY SOURCE

[In billions of dollars]

	1991	1992	1993	1994	1995
Individual income taxes	523.6	560.0	597.2	634.7	672.0
Corporate income taxes	128.6	141.1	155.7	161.8	172.4
Social insurance taxes and contributions:					
Off-budget	311.8	333.8	360.8	385.5	407.6
On-budget	105.1	110.5	117.7	124.3	130.0
Excise taxes	34.9	34.9	36.0	37.0	38.1
Estate and gift	9.8	10.3	10.4	11.0	11.4
Customs duties and fees	18.2	19.7	21.0	22.5	24.2
Other	24.3	24.6	24.6	24.9	25.0
Total revenues	1,156.3	1,234.9	1,323.5	1,401.9	1,480.8

EFFECTS OF PAST REVENUE BILLS

Congress has enacted tax legislation in every year since 1981. The Economic Recovery Tax Act of 1981 (ERTA), resulted in revenue losses totalling $1.4 trillion over the last decade, which contributed heavily to increased budget deficits. These losses were partially offset by a series of small tax increases over the decade which generated nearly $600 billion. The most recent, large scale revenue legislation was the Tax Reform Act of 1986 (TRA), which is estimated to lose $31 billion between 1987 and 1990. The following tables show the revenue effects of major tax legislation between 1981 and 1988 and the changing composition of Federal revenues in nominal dollars and as percents of GNP.

Revenue Effects of Major Tax Legislation
($ In Billions)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	Total
Econ. Recovery Tax Act of 1981	-36	-91	-137	-170	-210	-242	-264	-291	-323	-1764
Tax Equity & Fiscal Respon. Act of 1982	+*	17	36	39	47	57	57	56	57	366
Highway Revenue Act of 1982	--	2	4	4	5	5	5	5	5	35
Social Security Amends. of 1983	--	--	6	9	10	12	25	31	23	116
Railroad Retirement Revenue Act of 1983	--	+*	+*	1	1	1	1	1	1	6
Deficit Reduction Act of 1984	--	--	1	9	16	22	25	28	31	132
COBRA 1985	--	--	--	--	1	3	3	3	3	13
Omni. Budget Recon. Act of 1986	--	--	--	--	--	3	2	2	1	8
Superfund Amends. & Reauthorization Act of 1986	--	--	--	--	--	+*	1	1	1	3
Tax Reform Act of 1986	--	--	--	--	--	22	-9	-24	-20	-31
1987 Continuing Resolution	--	--	--	--	--	2	3	3	3	11
Omni. Budget Recon. Act of 1987	--	--	--	--	--	--	9	14	16	39
1988 Continuing Resolution	--	--	--	--	--	--	2	3	3	8
Medicare Catastrophic Coverage Act of 1988	--	--	--	--	--	--	--	1	7	8
Family Support Act of 1988	--	--	--	--	--	--	--	+*	+*	+*
Tech. & Misc. Revenue Act of 1988	--	--	--	--	--	--	--	-*	-*	-*
Other	--	-1	-2	-3	-2	-3	-3	-4	-3	-21
Total, Net Revenue Effects	-36	-73	-92	-111	-132	-118	-143	-171	-195	-1071

Source: Budgets of U.S. Government

FEDERAL REVENUES
(Fiscal years, $ billions)

	1965	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
TOTAL REVENUES	116.8	192.8	279.1	298.1	355.6	399.6	463.3	517.1	599.3	617.8	600.6	666.5	734.1	769.7	854.1	909.0	990.8
Indiv. income taxes	48.8	90.4	122.4	131.6	157.6	181.0	217.8	244.1	285.9	297.7	288.9	298.4	334.5	349.0	392.6	401.2	445.7
Corp. income taxes	25.5	32.8	40.6	41.4	54.9	60.0	65.7	64.6	61.1	49.2	37.0	56.9	61.3	62.0	83.9	94.2	103.3
Social ins. taxes	22.2	44.4	84.5	90.8	106.5	121.0	138.9	157.8	182.7	201.5	209.0	239.4	265.2	284.0	303.3	334.3	359.4
Other taxes a/	20.3	25.2	31.6	34.3	36.6	37.6	40.9	50.6	69.6	69.4	65.7	71.8	73.1	74.7	74.3	79.3	82.4

(Fiscal years, Percent of GNP)

	1965	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
TOTAL REVENUES	17.4	19.5	18.3	17.6	18.4	18.4	18.9	19.4	20.1	19.7	18.1	18.0	18.6	18.4	19.3	19.0	19.2
Indiv. income taxes	7.3	9.1	8.0	7.7	8.2	8.3	8.9	9.1	9.6	9.5	8.7	8.1	8.5	8.3	8.9	8.4	8.6
Corp. income taxes	3.8	3.3	2.7	2.4	2.8	2.8	2.7	2.4	2.0	1.6	1.1	1.5	1.6	1.5	1.9	2.0	2.0
Social ins. taxes	3.3	4.5	5.6	5.3	5.5	5.6	5.7	5.9	6.1	6.4	6.3	6.5	6.7	6.8	6.8	7.0	7.0
Other taxes a/	3.0	2.5	2.1	2.2	1.9	1.7	1.6	1.9	1.9	2.2	2.0	1.9	1.9	1.8	1.7	1.7	1.6

---

a/ Includes excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts.

Source: Congressional Budget Office, "The Economic and Budget Outlook: Fiscal Years 1991-1995," January 1990.

TAX EXPENDITURES

TAX EXPENDITURES DEFINED

Tax expenditures are defined in the Congressional Budget Act as ". . . those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption or deduction from gross income or which provide a special credit, a preferential rate of tax or a deferral of tax liability." The act requires the estimated tax expenditure estimates to be included in the report accompanying a budget resolution.

In many respects, tax expenditures are analogous to direct spending programs that have no spending limits, and that are available as an entitlement to individuals and corporations who meet the criteria established for the programs. The term tax expenditures comes from the assumption that the objectives of many of these preferential tax provisions might be equally accomplished through expenditure programs.

With respect to estimating additional revenues from the termination or limitation of tax expenditure provisions, it should be noted that because of interaction among provisions, the revenue effect of altering more than one of these preference items would not necessarily equal the sum of each individual item.

TAX EXPENDITURE ESTIMATES

The scaling back of tax preferences and reductions in marginal rates significantly reduced revenue losses associated with a wide variety of tax preferences in prior law. Notwithstanding the changes accomplished in the 1986 Act, many tax preferences remain. Tax expenditures are estimated to grow from $318.3 billion in 1991 to $406.7 billion by 1995.

To aid analysis of the economic benefits provided through the tax laws to various sectors of the economy, tax expenditures are grouped in Table 1 in the same functional categories as outlays in the Federal budget. Estimates are shown separately for individuals and corporations. Those tax expenditures that do not fit clearly into any of the budget functional categories have been placed in the most appropriate category.

Several of the tax expenditure items involve small revenue losses, and these estimates are indicated in Table 1 by footnote 1. For each of these items, the footnote means that the revenue loss is less than $50 million in the fiscal year.

Table 2 presents tax return information for each of nine income classes on the number of all returns filed, the number of all returns and taxable returns with itemized deductions, and the amount of tax liability.

Table 3 provides estimates by income class for some of the tax expenditures which affect individual taxpayers. Not all tax expenditures which affect individuals are shown in this table because of the difficulty in making reliable estimates of the income distribution of items which do not appear on tax returns under present law.

Tables 1, 2, and 3 assume the tax law as enacted through December 31, 1989.

All tax expenditure and distribution estimates were developed by the staff of the Joint Committee on Taxation and published in *Estimates of Federal Tax Expenditures for Fiscal Years 1991–1995.* March 9, 1990.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1991-1995

[Billions of dollars]

Function	Corporations					Individuals					Total 1991-95
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	
National defense											
Exclusion of benefits and allowances to Armed Forces personnel						2.0	2.1	2.1	2.2	2.3	10.7
Exclusion of military disability pensions						0.1	0.1	0.1	0.1	0.1	0.5
International affairs											
Exclusion of income earned abroad by U.S. citizens						1.4	1.5	1.5	1.6	1.6	7.6
Exclusion of certain allowances for Federal employees abroad						0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	0.8	0.9	1.0	1.1	1.1						4.8
Deferral of income of controlled foreign corporations	0.2	0.2	0.2	0.3	0.3						1.1
Inventory property sales source rule exception	2.9	3.2	3.4	3.7	3.8						17.1
Interest allocation rules exception for certain nonfinancial institutions	0.1	0.1	0.2	0.2	0.2						0.8
General science, space, and technology											
Expensing of research and development expenditures	1.4	1.5	1.7	1.9	2.0						8.5
Credit for increasing research activities	0.7	0.2	(1)	(1)	(1)						0.9
Energy											
Expensing of exploration and development costs:											
Oil and gas	−0.3	−0.1	(1)	0.1	0.2	0.5	0.5	0.6	0.6	0.7	2.8
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Excess of percentage over cost depletion:											
Oil and gas	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.4	2.2
Other fuels	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.1
Alternative fuel production credit	(1)	(1)	(1)	(1)	(1)						0.1
Alcohol fuel credit [3]	(1)	(1)	(1)			(1)	(1)	(1)			(1)

Exclusion of interest on State and local government industrial development bonds for energy production facilities	(2)	(2)	(2)	(2)	(2)	0.2	0.2	0.2	0.2	0.2	1.0
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Business energy tax credits	(1)	(2)	(2)	(2)	(2)	....	....	....	....	....	(2)
Natural resources and environment											
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	(1)	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.3	0.3	0.3	0.3	(1)	(1)	(1)	(1)	(1)	1.4
Investment credit and 7-year amortization for reforestation, expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing multiperiod timber-growing costs	0.3	0.4	0.4	0.4	0.4	(1)	(1)	(1)	(1)	(1)	2.1
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	−0.3	−0.4	−0.4	−0.4	−0.5	1.8	1.8	1.9	2.0	2.0	7.5
Investment tax credit for rehabilitation of historic structures	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.5
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Agriculture											
Expensing certain multiperiod production costs	0.1	(1)	(1)	(1)	(1)	0.2	0.2	0.1	0.1	0.1	0.9
Deductibility of patronage dividends and certain other items of cooperatives	0.3	0.3	0.3	0.3	0.4	−0.1	−0.1	−0.1	−0.1	−0.1	1.3
Exclusion of cost-sharing payments	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cancellation of indebtedness income of farmers	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Cash accounting for agriculture	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.2	0.1	0.1	1.6
Commerce and housing											
Financial institutions:											
Bad-debt reserves of financial institutions	0.2	0.1	0.1	0.2	0.2	....	....	....	....	....	0.8
Merger rules for banks and thrift institutions	2.5	2.3	2.3	2.0	1.9	....	....	....	....	....	11.0
Exemption of credit union income	0.6	0.6	0.7	0.8	0.9	....	....	....	....	....	3.6
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	0.4	0.4	0.5	0.5	0.5	7.0	7.7	8.4	9.2	10.1	44.7
Exclusion of investment income from structured settlement amounts	(1)	(1)	(1)	(1)	(1)	....	....	....	....	....	0.1
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Treatment of life insurance company reserves	0.7	0.7	0.7	0.8	0.8	....	....	....	....	....	3.7

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1991-1995—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1991-95
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	
Deduction of unpaid loss reserves for property and causualty insurance companies	1.9	1.6	1.4	1.3	1.1						7.4
Special alternative tax on small property and casualty insurance companies	(1)	(1)	(1)	(1)	(1)						0.1
Tax exemption for certain insurance companies	(1)	(1)	(1)	(1)	(1)						0.1
Special deduction for Blue Cross and Blue Shield companies	0.1	0.1	(1)	(1)	(1)						0.2
Housing:											
Deductibility of mortgage interest on owner-occupied residences						31.9	33.9	36.1	38.4	39.9	180.3
Deductibility of property tax on owner-occupied homes						8.3	8.7	9.1	9.4	9.8	45.3
Deferral of capital gains on sales of principal residences						10.9	11.5	12.1	12.7	13.6	60.7
Exclusion of capital gains on sales of principal residences for persons age 55 and over						3.6	3.8	4.0	4.2	4.5	20.2
Exclusion of interest on State and local government bonds for owner-occupied housing	0.3	0.3	0.3	0.3	0.3	1.4	1.4	1.3	1.2	1.1	7.9
Depreciation of rental housing in excess of alternative depreciation system	0.3	0.3	0.3	0.3	0.4	0.5	0.5	.05	0.6	0.6	4.3
Credit for low-income housing	0.1	0.1	0.1	0.1	0.1	0.5	0.6	0.6	0.6	0.6	3.4
Exclusion of interest on State and local government bonds for rental housing	0.2	0.2	0.3	0.3	0.3	0.6	0.6	0.6	0.7	0.7	4.5
Other business and commerce:											
Depreciation on buildings other than rental housing in excess of alternative depreciation system	0.5	0.5	0.5	0.5	0.5	0.2	0.2	0.2	0.2	0.2	3.5
Depreciation on equipment in excess of alternative depreciation system	12.4	14.2	16.0	17.8	19.5	4.0	4.3	4.7	5.2	5.7	103.8

Investment credit other than ESOPs, rehabilitation of structures, reforestation, and energy property	1.7	1.0	0.3	0.1	0.1	0.2	0.1	(1)	(1)	(1)	3.5
Expensing up to $10,000 depreciable business property	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.1
Exclusion of capital gains at death:											
Capital gains at death	....	....	....	....	....	5.5	6.0	6.6	7.1	7.6	32.8
Carryover basis on gifts	....	....	....	....	....	0.9	1.1	1.2	1.4	1.7	6.3
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.0
Reduced rates on first $75,000 of corporate taxable income	5.5	5.7	6.0	6.2	6.5	....	....	....	....	....	29.9
Deduction of personal interest	....	....	....	....	....	0.9	....	....	....	....	0.9
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.0
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Special rules for magazine, paperback, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.8
Completed contract rules	−0.4	0.2	0.3	0.3	0.3	(2)	(1)	(1)	(1)	(1)	0.4
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Exclusion of interest on State and local government small-issue bonds	−0.1	−0.1	−0.1	−0.1	−0.1	2.4	2.4	2.4	2.4	2.4	11.6
Deferral of gain on like-kind exchanges	0.3	0.3	0.3	0.3	0.4	0.2	0.2	0.2	0.2	0.2	2.7
Exception from net operating loss limitations for corporations in bankruptcy proceedings	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Gain from sale or exchange to effectuate policies of the FCC	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Exemption of RIC expenses from miscellaneous deduction floor	....	....	....	....	....	0.4	0.5	0.6	0.7	0.8	3.0
Transportation											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Exclusion of interest on State and local government bonds for mass transit commuting vehicles	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of interest on State and local government bonds for high-speed inter-urban rail facilities	(2)	(2)	(2)	(2)	(2)	(1)	0.1	0.1	0.2	0.2	0.6
Community and regional development											
Investment credit for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1991-1995—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1991-95
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	
Exclusion of interest on State and local government bonds for private airports and docks	−0.1	−0.1	−0.1	−0.2	−0.2	0.7	0.8	0.8	0.8	0.9	3.3
Education, training, employment, and social services											
Education and training:											
Exclusion of scholarship and fellowship income	....	....	....	....	....	0.5	0.6	0.6	0.6	0.7	3.0
Parental personal exemption for students age 19 to 23	....	....	....	....	....	0.3	0.3	0.3	0.4	0.5	1.8
Exclusion of interest on State and local government student loan bonds	(1)	(1)	(1)	(1)	(1)	0.3	0.4	0.4	0.4	0.4	1.9
Exclusion of interest on State and local government bonds for private educational facilities	(1)	(1)	(1)	(1)	(1)	0.3	0.3	0.3	0.3	0.3	1.5
Deductibility of charitable contributions for education	0.5	0.5	0.6	0.6	0.6	1.4	1.5	1.5	1.6	1.6	10.4
Educational savings bonds	....	....	....	....	....	(1)	0.1	0.2	0.2	0.3	0.8
Employment:											
Targeted jobs credit	0.2	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	0.8	0.8	0.8	0.9	0.9	4.2
Employee stock ownership plans (ESOPs)	0.8	0.9	1.0	1.1	1.2	(1)	(1)	(1)	(1)	(1)	5.0
Exclusion for benefits provided under cafeteria plans	....	....	....	....	....	2.4	3.1	3.6	4.0	4.5	17.6
Exclusion of rental allowances for minister's home	....	....	....	....	....	0.2	0.2	0.3	0.3	0.3	1.3
Exclusion of miscellaneous fringe benefits	....	....	....	....	....	4.1	4.4	4.8	5.1	5.4	23.9
Exclusion of employee awards	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of income earned by benefit organizations:											
Supplemental unemployment benefits trusts	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1

Voluntary employees' beneficiary associations						0.5	0.5	0.5	0.5	0.6	2.7
Social services:											
Deductibility of charitable contributions, other than for education and health	0.5	0.5	0.6	0.6	0.6	1.3	1.4	1.5	1.5	1.6	10.1
Credit for child and dependent care expenses						4.1	4.3	4.5	4.6	4.8	22.3
Exclusion for employer-provided child care						0.3	0.3	0.4	0.5	0.5	2.0
Exclusion for certain foster care payments						(1)	(1)	(1)	(1)	(1)	0.1
Expensing costs of removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health											
Exclusion of contributions by employers and self-employed for employed for medical insurance premiums and medical insurance premiums and medical care						33.3	38.0	42.4	46.8	49.5	210.0
Deductibility of medical expenses						2.9	3.1	3.2	3.3	3.4	15.9
Exclusion of interest on State and local government bonds for private hospital facilities	(1)	0.1	0.1	0.1	0.1	2.4	2.6	2.9	3.2	3.5	15.0
Deductibility of charitable contributions for health	0.2	0.2	0.2	0.2	0.2	1.3	1.4	1.5	1.6	1.7	8.5
Tax credit for orphan drug research						(1)	(1)	(1)	(1)	(1)	0.1
Medicare											
Exclusion of untaxed medicare benefits:											
Hospital insurance						5.6	6.4	7.2	8.2	9.2	36.6
Supplementary medical insurance						3.2	4.0	4.8	5.7	6.9	24.6
Income security											
Exclusion of untaxed railroad retirement system benefits						0.4	0.4	0.4	0.4	0.4	2.0
Exclusion of workers' compensation benefits						2.4	2.5	2.6	2.7	2.8	13.0
Exclusion of special benefits for disabled coal miners						0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of cash public assistance benefits						0.3	0.4	0.4	0.4	0.4	1.9
Net exclusion of pension contributions and earnings						52.2	54.3	56.5	58.8	61.3	283.1
Individual retirement plans						6.4	6.7	7.0	7.3	7.5	34.9
Keogh plans						2.7	2.9	3.0	3.2	3.4	15.2
Exclusion of other employee benefits:											
Premiums on group term life insurance						1.9	2.0	2.1	2.2	2.3	10.5
Premiums on accident and disability insurance						0.1	0.1	0.1	0.1	0.1	0.5
Exclusion for employer-provided death benefits						(1)	(1)	(1)	(1)	(1)	0.5
Additional standard deduction for the blind and the elderly						1.7	1.9	2.1	2.4	2.6	10.7

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1991-1995—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1991-95
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	
Tax credit for the elderly and disabled						0.1	0.1	0.1	0.1	0.1	0.5
Deductibility of casualty and theft losses						0.2	0.2	0.1	0.1	0.1	0.7
Earned income credit [4]						1.2	1.3	1.4	1.5	1.6	7.0
Social security											
Exclusion of untaxed social security benefits						22.6	23.4	24.1	24.9	25.7	120.7
Veterans' benefits and services											
Exclusion of veterans' disability compensation						1.4	1.4	1.5	1.5	1.6	7.4
Exclusion of veterans' pensions						0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of GI bill benefits						0.1	0.1	0.1	0.1	0.1	0.4
Exclusion of interest on State and local government veterans' housing bonds	0.1	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
General purpose fiscal assistance											
Exclusion of interest on public purpose State and local government debt	1.5	1.5	1.4	1.4	1.3	8.9	10.0	10.9	11.8	13.0	61.7
Deduction of nonbusiness State and local government income and personal property taxes						20.4	21.8	23.4	25.1	26.9	117.6
Exclusion and tax credit for corporations with possessions source income	2.4	2.6	2.7	2.9	3.0						13.6
Interest											
Deferral of interest on savings bonds						1.0	1.0	1.0	1.0	1.0	5.0

---

[1] Positive tax expenditure of less than $50 million.

[2] Negative tax expenditure of less than $50 million.

[3] In addition, the 6-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.4 billion per year for 1991 and 1992, $0.3 billion in 1993, and $0.1 billion in 1994.

[4] The figures in the table show the effect of the earned income credit on receipts. The increase in outlays is: $4.9 billion in 1991, $5.1 billion in 1992, $5.4 billion in 1993, $5.8 billion in 1994, and $6.3 billion in 1995.

ADDENDUM TO TABLE 1.—SUM OF TAX EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1991–1995

[Billions of dollars]

Fiscal year	Corporations	Individuals	Total
1991	40.7	277.6	318.3
1992	42.3	297.0	339.3
1993	44.6	316.4	361.0
1994	47.3	337.1	384.4
1995	49.7	357.0	406.7

Note: These totals represent the mathematical sum of the estimated fiscal year effect of each of the tax expenditure items included in Table 1. The limitations on the use of the totals is explained in the text.

Table 2.—Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability, at 1991 Rates and 1991 Law and 1991 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	All returns [3]	Taxable returns	Itemized returns		Tax liability
			Total	Taxable	
Below $10	25,592	3,672	422	156	−213
$10 to $20	28,106	17,293	2,035	1,296	14,160
$20 to $30	22,896	20,076	3,816	3,334	34,466
$30 to $40	17,105	16,492	5,431	5,201	44,829
$40 to $50	9,669	9,522	4,275	4,129	37,026
$50 to $75	12,475	12,387	8,009	7,877	90,986
$75 to $100	3,599	3,581	2,948	2,943	45,362
$100 to $200	3,134	3,119	2,818	2,812	82,771
$200 and over	1,142	1,133	1,053	1,034	137,138
Total	**123,717**	**87,273**	**30,807**	**28,781**	**486,523**

---

[1] Tax law as in effect on January 1, 1991, is applied to the 1991 level and sources of income and their distribution among taxpayers. Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into classes is adjusted gross income (AGI) plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside build-up on life insurance, (4) workers' compensation, (5) nontaxable social security benefits, (6) deductible contributions to individual retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preferences, from passive business activities.

[3] Includes filing and nonfiling units. Filing units include all taxable and nontaxable returns. Nonfiling units include individuals with income that is exempt from Federal income taxation (*e.g.*, transfer payments, interest from tax-exempt bonds, etc.)

Note: Detail may not add to total due to rounding.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1991 Rates and 1991 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Medical deduction		Real estate tax deduction	
	Returns	Amount	Returns	Amount
Below $10	59	11	43	2
$10 to $20	724	190	892	74
$20 to $30	1,191	351	2,700	297
$30 to $40	1,692	621	4,516	615
$40 to $50	912	338	3,901	594
$50 to $75	869	483	7,543	2,214
$75 to $100	209	271	2,804	1,394
$100 to $200	138	425	2,651	2,026
$200 and over	25	191	942	1,391
Total	5,819	2,881	25,993	8,606

Footnotes at end of Table 3.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1991 Rates and 1991 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	State and local income tax deduction		Charitable contributions deduction	
	Returns	Amount	Returns	Amount
Below $10	66	2	53	1
$10 to $20	1,008	83	966	52
$20 to $30	2,809	376	2,970	244
$30 to $40	4,454	934	4,875	738
$40 to $50	3,689	906	4,054	657
$50 to $75	6,915	3,553	7,854	1,951
$75 to $100	2,594	2,451	2,887	1,177
$100 to $200	2,454	5,081	2,764	2,516
$200 and over	866	7,723	1,024	6,297
Total	24,854	21,110	27,446	13,632

Footnotes at end of Table 3.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1991 Rates and 1991 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Child care credit		Earned income credit [3]	
	Returns	Amount	Returns	Amount
Below $10	29	5	1,907	1,352
$10 to $20	1,241	508	5,717	4,039
$20 to $30	2,083	1,025	2,848	842
$30 to $40	1,815	932	165	59
$40 to $50	1,222	579	33	15
$50 to $75	1,670	748	19	5
$75 to $100	477	221	4	3
$100 to $200	260	114	0	0
$200 and over	52	28	0	0
Total	8,848	4,159	10,693	6,316

Footnotes at end of Table 3.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1991 Rates and 1991 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Untaxed Social Security benefits		Additional standard deduction for the elderly and blind	
	Returns	Amount	Returns	Amount
Below $10	(4)	(5)	3	(5)
$10 to $20	3,360	641	1,667	193
$20 to $30	3,190	1,698	3,005	428
$30 to $40	3,158	2,448	2,131	362
$40 to $50	5,245	5,612	1,120	203
$50 to $75	6,062	7,186	842	204
$75 to $100	2,040	1,927	163	47
$100 to $200	1,140	1,399	103	31
$200 and over	204	376	34	9
Total	**24,372**	**21,286**	**9,068**	**1,476**

---

[1] Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into classes is adjusted gross income (AGI) plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside buildup on life insurance, (4) workers' compensation, (5) nontaxable social security benefits, (6) deductible contributions to individuals retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preference, from passive business activities.

[3] Includes the refundable portion of the earned income credit.

[4] Less than 500.

[5] Less than $500,000.

Note: Detail may not add to total due to rounding.

SPENDING AND CREDIT RECOMMENDATIONS BY FUNCTION

Spending and Credit Recommendations

This section discusses the Committee's spending and credit recommendations for each of the 20 functional areas of the budget. Each functional section contains the following material:

—A list of the major national needs addressed by Federal activities in the function.

—A table showing the spending and credit levels recommended by the committee.

—A narrative explanation of the Committee's spending and credit recommendations for each function.

Credit Budget

Budget authority and outlay totals in the budget provide an incomplete picture of Federal credit activity. They measure loan programs on a net cash flow basis—that is, outlays minus receipts. They do not measure the full volume of new credit extended for direct loans and exclude loan guarantee commitments.

The credit budget offers an alternative ways of measuring loan program activity. It records the total dollar amount of direct loan obligations and loan guarantee commitments, without offsets for repayments. It covers all government credit programs, including those previously defined as off-budget.

The resolution includes aggregates and functional allocations for three types of Federal credit transactions; direct loans, primary loan guarantees, and secondary loan guarantees.

A direct loan (DL) is a disbursement of funds to a non-Federal entity under an agreement that the amount will be repaid, with or without interest. Direct loan obligations are recorded in the credit budget when the government becomes legally bound to extend credit assistance. They result in outlays when funds are disbursed to borrowers.

A primary loan guarantee (LG) is a pledge to pay part or all of the amount due to a lender in the event of default by the borrower. Loan guarantee commitments are recorded in the credit budget when the government becomes legally bound to extend credit assistance. They result in outlays only if borrowers default.

A secondary loan guarantee (SLG) is a commitment to guarantee a loan that has already been insured by the Federal government, such as the guarantee of securities backed by federally insured mortgages. Secondary loan guarantees do not increase the contingent liability of the government.

Summary tables by function for both spending and credit can be found in Chapter V.

SPENDING FOR STATE AND LOCAL PROGRAMS

The Federal government provides financial assistance to States and localities to support public education, law enforcement, and road, sewer, and other infrastructure construction. In addition, Federal aid helps pay the costs of various income maintenance programs and bolsters local efforts to promote economic development and job creation.

The Committee recommendation provides increases for a number of Federal government programs which aid State and local governments. Because reconciliation instructions in this budget resolution are not directly connected to specific policy proposals, the Committee is unable to assess the overall impact of the budget resolution in states and localities. Policy choices made by authorizing committees will eventually shape the 1991 package of Federal financial assistance State and local governments receive.

The Committee is concerned about recent reports that the financial condition of many States has taken a turn for the worse after a long period of relative prosperity. Given these troubling signs, the Committee is concerned that deficit reduction efforts be sensitive to the needs of State and local governments.

Function 050: NATIONAL DEFENSE

SUMMARY

Function 050 covers the military and civilian operations of the Department of Defense and the defense-related activities of the Department of Energy. This function includes the pay allowances for roughly 2 million active duty military personnel and 1 million civilian personnel at over 500 major installations. Function 050 also includes the funding for research, development, procurement and maintenance programs necessary to continue the modernization and upkeep of the equipment provided for these personnel.

Function 050 SPENDING PROJECTIONS

[in billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	285.6	285.4	285.4	285.5	285.5
	O	293.9	289.9	285.1	287.0	282.9

HIGHLIGHTS

The Committee recommends $285.6 billion in budget authority and $293.9 billion in outlays for this function in 1991. The Committee's recommended outlay level for 1991 represents a reduction of $2.6 billion, or less than 1 percent, from the estimated 1990 outlay level of $296.5 billion.

The Committee recommendation assumes function 050 budget authority for the years 1992 to 1995 remains at the 1991 level of $285.6 billion. Prior to the current peacetime military build-up, post-World War II peacetime defense spending, as measured in constant 1991 dollars, averaged roughly $235 billion. Defense spending at the end of the period covered in this resolution, as measured in constant 1991 dollars, would be approximately $250 billion—$15 billion greater than the post-World War II peacetime average.

The Committee is aware that a great deal of uncertainty surrounds U.S. security policy in the years ahead and what constitues a proper response to the revolutionary changes that have recently occurred. The Committee believes that two developments are especially noteworthy and irreversible in the near-to-medium term. First, according to testimony by the Central Intelligence Agency and the Defense Intelligence Agency, President Gorbachev is making good on his pledge of unilaterally reduce Soviet Military forces by 500,000 by the end of 1991. Second, William Webster, the Director of the CIA, testified that, "Soviet Military planners could not count on East European military forces in a conflict with NATO". The non-Soviet Warsaw Pact forces number approximately 1.5 million active duty personnel. As a result the conventional military threat facing this country has been reduced by 2 million personnel.

The funding levels provided for function 050 necessitate reductions below the President's requested amounts. The Committee believes that as a result of the dramatic changes, these reductions from the President's proposed funding levels are prudent, reasonable and manageable. The levels provided are based on the assumption that the pay and benefits accorded to our military personnel are the highest priority in any defense budget. At the same time, the Committee believes that the reduction of the Soviet threat means significant adjustments are possible in the programs designed for the development and procurement of the next generation of weapons. Given the current easing of tensions, the Defense Department does not have to rush to buy any particular weapon system. The Department now has time to develop a new national military strategy, to determine what weapons platforms are necessary to carry out this strategy, and to decide whether these systems will work as planned before rushing to full-scale production.

The Committee is aware of the need for government-industry efforts to develop commercially viable applications for the multi-billion-dollar investments made in DoD arsenals and DoE defense program facilities. The National Center for Manufacturing Sciences (NCMS), the largest research and development consortium in the United States, has accumulated a significant commercial industrial demand for these technologies. The Committee recommendation for function 050 in 1991 therefore assumes $25 million in matching funds for NCMS technology development and transfer programs. Any procurement authority for new equipment shall be predicated upon a full cost analysis of the proposed research, development, and procurement cost. Such cost shall be compared to costs of existing "off-the-shelf" alternatives. The final procurement determination should be based upon cost-effectiveness and successful completion of a full operational evaluation.

The Committee recognizes that after over 40 years of nuclear weapons production, the Department of Energy has massive safety and environmental contamination problems at many of its nuclear weapons production facilities. The total estimated cost of cleaning up these sites could well exceed $125 billion. Despite the urgency of these problems, the President's 1991 budget contains $603 million less than what the Department of Energy itself has said is required in 1991 for the clean-up of production facilities. The Committee recommendation for function 050 assumes significant progress will be made toward redressing this lack of clean-up funding. The Committee is also aware that the President has requested a $700 million increase over the 1990 level for the production and testing of new weapons. The Committee suggests that such increases are not justified until the Departments of Defense and Energy develop a coherent, long-term plan that details weapons requirements in light of developments in the international arena. Finally, as a step toward ensuring that future weapons production is carried out in a safer manner, the Committee urges the Department to continue with its New Production Reactor Program which is estimated to cost $350 million in 1991.

Function 150: INTERNATIONAL AFFAIRS

Summary

Function 150 covers the international affairs programs of the United States, including foreign economic, development, and security assistance, operations of the State Department, foreign broadcast and information activities, and the Export-Import Bank.

Function 150 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	19.1	19.8	20.6	21.3	22.6
	O	16.9	18.0	18.5	18.6	19.6
Credit recommendation	DL	2.0	2.1	2.1	2.2	2.3
	LG	7.2	7.2	7.5	7.8	8.1
	SLG	0.4	0.4	0.4	0.4	0.5

Highlights

The Committee recommends $19.1 billion in budget authority and $16.9 billion in outlays for the international affairs function of the budget. This level provides $20.1 billion in budget authority and $18.1 billion in outlays for the discretionary programs within the function, about 5 percent above the original 1990 appropriation.

This level will allow current funding for State Department and foreign assistance programs. The Committee assumes that funding levels for this function will allow continuation of current levels of assistance for Israel and Egypt. The Committee also assumes that excess budget authority available within this function will allow for full funding of the administration's proposed construction project in Moscow.

Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions. The Committee recommendation assumes no policy changes from CBO baseline levels in entitlements and other mandatory programs in this function.

Export-Import Bank

The Committee believes that the Export-Import Bank will play an increasingly important role in this nation's foreign affairs program. A revitalized Export-Import Bank will help U.S. industry compete more effectively for market share in Eastern Europe, as well as other parts of the world.

Accordingly, the Committee assumes the Congress will approve a $762 million Export-Import Bank direct loan program, and, within this amount, a $114 million tied-aid credit program "War Chest" and a $25 million Interest Equalization Program (IEP). It is assumed that the IEP will be used in conjunction with the Export-Import Bank Guarantee and Insurance program to make it operationally effective.

Function 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

SUMMARY

Function 250 covers NASA's space activities, the basic science and general research programs of the National Science Foundation (NSF), and the high-energy and nuclear physics programs of the Department of Energy (DOE).

Function 250 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	16.6	17.3	18.0	18.7	19.5
	O	16.0	17.0	17.6	18.4	19.1

HIGHLIGHTS

The Committee recommends $16.6 billion in budget authority and $16.0 billion in outlays for this function for fiscal year 1991. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

NATIONAL SCIENCE FOUNDATION (NSF)

The Committee assumes that funding for NSF programs will increase by $0.3 billion in budget authority and $0.3 billion in outlays over fiscal year 1990 levels. This represents full funding for the President's request for these important basic research and science education programs. Of particular interest is the success of NSF's EPSCoR (Experimental Program to Stimulate Competitive Research) program which the Committee believes should be adopted by other Departments and Agencies.

DEPARTMENT OF ENERGY (DOE)

The Committee assumes $1.0 billion in both budget authority and outlays for DOE high energy and nuclear physics programs in fiscal year 1991. This represents a decrease of $0.1 billion in budget authority and no change in outlays from 1990 funding levels.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)

The Committee assumes that funding for NASA space programs will increase by $1.8 billion in budget authority and $1.7 billion in outlays over fiscal year 1990 levels. While this level is slightly less than $1.0 billion in budget authority below the President's request, it is an increase of 16 percent over current operating levels. This level of funding is sufficient to support NASA's space flight activities and important science missions such as the Earth Observing System. The Space Station could be maintained, albeit at a slower pace.

FEDERAL HIGH PERFORMANCE COMPUTING PROGRAM

The Committee supports S. 1067, The National High-Performance Computing Act of 1990, which will create a multi-agency program to ensure continued U.S. leadership in supercomputing and high-speed computer networking. While the network will provide important benefits to U.S. research, industry, and education, the Committee does not believe that funding for the network should come at the expense of crucial ongoing work of the NSF.

Function 270: ENERGY

SUMMARY

Function 270 contains the majority of civilian energy programs. This includes energy supply research and development as well as regulatory programs of the Department of Energy (DOE), credit programs of the Rural Electrification Administration (REA), and activities of the Nuclear Regulatory Commission. The function also includes a portion of the environmental restoration and waste management activities of DOE as well as funding for energy conservation programs.

Function 270 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendations	BA	6.0	5.3	6.0	6.4	6.8
	O	4.1	4.0	4.8	5.2	4.8
Credit recommendations	DL	1.9	1.6	1.9	2.1	2.3

HIGHLIGHTS

The Committee recommendation for 1991 provides function 270 with $6.0 billion in budget authority and $4.1 billion in outlays. The recommendation includes several discretionary adds which are discussed below.

The Committee recommendation assumes the President's request for environmental restoration and waste management activities at the Department of Energy's facilities. In addition, the recommendation assumes a slight increase for energy conservation activities, particularly the State and local assistance programs as well as a $42 million increase for solar and renewable research activities.

Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT

The Committee notes with concern the continued uncertainty surrounding costs of waste clean-up at DOE facilities. In particular, the Committee is apprehensive that the 1991 budget request may not provide sufficient money for the Department of Energy to honor the legal commitments it has made to the Environmental Protection Agency and various states. The Committee urges that careful and accurate provision for clean-up costs be made before commitments are entered into.

Given concern over waste clean-up funding, the Committee believes that the President's request for environmental restoration and waste management represents a minimum funding level for these activities.

ENERGY CONSERVATION

The Committee recognizes the increasingly important role that energy conservation and efficiency programs play as part of our overall national energy policy. As oil imports approach 50 percent of domestic consumption, energy conservation measures are one important way to address our national energy security concerns. The Committee recommendation accommodates funding increases for DOE's State and Local Assistance Programs consistent with the Senate-passed Energy Efficiency Programs Improvement Act.

RENEWABLE ENERGY AND ENERGY EFFICIENCY PROGRAMS

The Committee applauds the President's newly invigorated commitment to solar and renewable energy research programs. The Committee recommends funding increases to support spending authorized in the Renewable Energy and Energy Efficiency Technology Act of 1989.

RURAL ELECTRIFICATION PROGRAM

The Committee recommendation makes no assumptions which would prevent the Senate Agriculture Committee from pursuing legislation which would permit the refinancing of high interest Federal Financing Bank loans made to rural electric and telephone systems.

ADVANCED NEUTRON SOURCE REACTOR (ANS)

The Committee notes that the Advanced Neutron Source Reactor (ANS), which is currently scheduled for completion in the late 1990's, will help the United States regain its competitive position in materials research and development and in the production of isotopes for medical applications. The ANS will also play a crucial role in commercial development of the new high transition temperature superconductors in genetic engineering, and in the development of new polymers, plastics and high-temperature alloys and ceramics. The Committee recommends a funding level of $12 million for the ANS in 1991.

Function 300: NATURAL RESOURCES AND ENVIRONMENT

Summary

Function 300 covers the natural resources and environmental programs including a variety of Federal agencies concerned with the development and management of the Nation's water, mineral, timber, wildlife, fish, and other resources; management of national parks, forests, refuges, and other public lands; and protection of the environement.

Function 300 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendations	BA	18.0	19.1	19.8	20.5	21.3
	O	18.6	19.2	19.8	20.2	20.7
Credit recommendations	DL	0.1	0.1	0.1	0.1	0.1

Highlights

The Committee recommends $18.0 billion in budget authority and $18.6 billion in outlays for function 300. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

EPA OPERATING PROGRAMS

The committee assumes that EPA operations will be funded at $2.35 billion in budget authority in 1991. This level of funding is $200 million over the President's 1991 budget request and $450 million over 1990 levels. The committee anticipates Reauthorization of the Clean Air Act this year, and recommends that EPA should be adequately funded to fully support the provisions of this legislation as well as to continue ongoing programs. Level funding is provided for the sewage treatment construction grant program. The Committee urges that funds appropriated for the Environmental Protection Agency include monies for grants to address non-point sources of surface and groundwater pollution, as provided for in Section 319 of the Water Quality Control Act Amendments of 1987.

LAND ACQUISITION

The committee recognizes the importance of land acquisition as a method of preserving our natural resources. The Committee assumes that land acquisition through the Lands and Water Conservation Fund will be funded at $500 million in budget authority in 1991. This level of funding is $250 million above the President's request and $210 million above 1990 levels.

GLOBAL CLIMATE CHANGE

Recognizing that an effective means of addressing the complex nature of the global change problem requires a well-coordinated, government-wide effort, the Committee supports efforts to provide adequate resources for Federal agencies responsible for implementing the integrated science plan proposed in the U.S. Global Change Research Program in 1991.

BELOW COST TIMBER SALES

The Committee strongly believes the U.S. Forest service should consider a systematic phase out of below-cost timber sales over a five year period by eliminating the most costly timber sales first. The Forest Service fails to generate enough receipts to cover the cost of making the timber available for harvest in a majority of national forests in the system. The Committee supports the current Forest Service effort to address this problem with a below-cost timber sales test plan.

Function 350: AGRICULTURE

SUMMARY

Function 350 covers agriculture programs, including the commodity price support program, crop insurance, Farmers Home Administration agricultural loans, agricultural research, extension service, animal and plant health protection, and agricultural economic data collection and dissemination programs.

Function 350 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	20.2	23.0	20.6	18.8	19.8
	O	16.4	17.6	16.3	15.9	15.2
Credit recommendation	DL	9.1	8.9	8.7	8.7	8.5
	LG	7.0	7.3	6.7	6.7	6.8

HIGHLIGHTS

The Committee recommendation for 1991 provides function 350 with $20.2 billion in budget authority and $16.4 billion in outlays. The recommendation includes several discretionary adds which are discussed below.

The Committee recommendation assumes a $110 million funding increase for agriculture research programs.

Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

COMMODITY CREDIT CORPORATION

The Committee recognizes that many farm bill proposals are under consideration by the Agriculture Committee. Several of these proposals could provide as much as $12 billion in CCC expenditures for 1991. Given the inherent difficulties faced by the Agriculture committees in trying to fashion an effective set of proposals, the Committee rejects the President's proposed cut in CCC spending of $1.5 billion. Instead, the Committee adopts a policy neutral approach which will maximize the ability of the Agriculture Committees to draft a workable farm bill. In fact, the Committee recommendation could allow the Agriculture Committees to rearrange priorities and fashion a $12 billion CCC program within the overall confines of the Agriculture Committee's spending jurisdiction.

The 1990 farm bill will guide farm policy for the first half of the next decade. As the Agriculture Committees move to a close on their legislation, the Budget Committees will be working with them to find ways to achieve savings from various programs within their jurisdictions.

AGRICULTURE RESEARCH

The Committee recognizes that research on agriculture, food, and environment programs is a key component of Federal support for agriculture in this country and has significant implications for U.S. competitiveness in world markets. The Committee recommendation assumes increases sufficient to accommodate new research spending in these areas, such as the National Initiative on Agriculture, Food, and Environment proposed by the National Academy of Sciences.

FmHA Farm Loans

The Committee recommendation rejects the President's proposed cuts for FmHA direct farm operating and farm ownership loans, and instead supports full funding for these activities. While the Committee recognizes that budget constraints do not allow us to make loans to all those who need them, it also recognizes the realities farmers face when seeking credit in agricultural areas and supports continuation of FmHA loan programs at current levels.

Function 370: COMMERCE AND HOUSING CREDIT

SUMMARY

Function 370 encompasses many of the government programs that provide assistance in the advancement of commerce. Some of the major programs in this function are: the Federal Deposit Insurance Corporation; the Resolution Trust Corporation; the Federal Housing Administration; the Government National Mortgage Association; elderly and handicapped housing loans; rural housing assistance; the United States Postal Service; and the Small Business Administration.

Function 370 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	44.7	14.6	26.7	15.1	16.6
	O	44.9	4.4	14.6	2.0	4.1
Credit recommendation	DL	6.2	3.5	3.6	3.7	3.8
	LG	63.3	65.5	67.8	70.3	72.8
	SLG	85.3	85.0	88.2	91.5	95.0

HIGHLIGHTS

The 1991 Budget Resolution as reported recommends spending levels of $44.7 billion in budget authority and $44.9 in outlays. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions. These levels of funding assume significant increases in funding for the Securities and Exchange Commission and the Farmers Home Administration's rural housing programs. These and other important initiatives in function 370 are highlighted in the text below.

SECURITIES AND EXCHANGE COMMISSION

The volume and complexity of securities transactions, and insider trading violations have increased dramatically during the 1980's, but funding for the Securities and Exchange Commission (SEC) has not kept pace. The Committee assumes an increase of $26 million above the 1990 appropriation for the SEC in order to enhance the agency's ability to regulate securities markets and enforce securities laws.

RURAL HOUSING INSURANCE FUND

More than 7 million rural households—4 million of whom have very low incomes—face serious housing problems including excessive housing costs, substandard housing conditions, or overcrowding. More than 33% of poor rural homeowners pay in excess of 50% of their incomes for housing costs; for rural renters, more than half of the poor households pay over 50 percent of their incomes for housing. Almost 1 million poor rural households live in substandard housing. The housing programs of the Farmers Home Administration are proven vehicles for addressing rural housing problems. The Committee resolution assumes an increase of $388 million above the 1990 levels for the housing programs of the Farmers Home Administration.

SECTION 202 ELDERLY AND HANDICAPPED HOUSING

HUD's Section 202 housing programs have been successful in meeting the needs of elderly and handicapped individuals. The Committee's resolution specifically rejects the Administration's proposals to reduce direct lending for this program by converting to a leasing scheme. Funding for this program should not be diverted until it can be demonstrated that a new funding mechanism is more cost-effective in meeting elderly and handicapped housing needs.

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

The Committee is aware of the positive impact of industrial research and development consortia on the technology missions of the federal agencies, as demonstrated by the programs of the National Center for Manufacturing Sciences. The resolution levels for function 370 should provide increased support for the Advanced Technology Program run by the Department of Commerce's National Institute of Standards and Technology.

INTERNATIONAL TRADE ADMINISTRATION

The resolution assumes substantial funding for the Foreign Commercial Service particularly in light of its efforts to increase export opportunities nationwide through an expansion of its system of export offices in the different states.

The Committee budget also assumes sufficient funding to provide for the staffing and operation of the Office of Barter and the Interagency Group on Barter and Countertrade. Barter, countertrade, and other nontraditional means of trade finance offer the United States an opportunity to expand trade with countries—particularly those of Eastern Europe—which lack a hard currency.

SMALL BUSINESS ADMINISTRATION

The resolution assumes an increase in loan guarantee authority for the Small Business Administration's 7(a) program. Loan guarantee authority of at least $3.4 billion is needed to meet the increasing demand for this valuable program. The 7(a) loan guarantee program assures a small business of access to loans with durations longer than those available from commercial banks, allowing these small businesses to finance capital investment and other long term needs.

GOVERNMENT SPONSORED ENTERPRISES AND SECONDARY MORTGAGE MARKET AGENCIES

The levels in the resolution specifically do not contemplate the imposition of user fees on government sponsored enterprises or secondary mortgage market agencies.

Function 400: TRANSPORTATION

SUMMARY

This function provides support for all facets of the nation's transportation system, primarily through grants to states and localities. Major programs in this area include: Federal-Aid Highways, the Federal Aviation Administration (FAA), the Coast Guard, Mass Transit, Amtrak and the Maritime Administration (MARAD).

Function 400 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	33.4	35.2	36.7	37.7	39.4
	O	31.3	33.8	35.9	37.7	39.4
Credit recommendation	DL	(*)	(*)	0.1	0.1	0.1
	LG	0.1	0.0	0.0	0.0	0.0

HIGHLIGHTS

The Committee recommends $33.3 billion in budget authority and $31.3 billion in outlays for function 400 in 1991. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

AVIATION

The Committee recommendation in this function includes substantial increases for aviation programs in 1991. These increases will enable the FAA to fully fund its request for increased staffing in the areas of air traffic control, security, and safety inspections. In addition, the recommendation provides $779 million, or a 45 percent increase, over last year's level for the Facilities and Equipment program for continued modernization of the National Airspace System. The resolution provides funding above the President's request for the Airport Grants-in-Aid program, which provides grants for airport development. Finally, the Committee mark includes additional funding for enhanced aviation security programs.

HIGHWAYS

The Committee recommends an obligation ceiling of $14.0 billion for the Federal-Aid Highways program in 1991. At this level, states will receive an additional $300 million over last year's level for highway programs. Over 5 years, this increase will total almost $7 billion. The Committee believes that this level of investment meaningfully addresses the nation's pressing physical infrastructure needs.

COAST GUARD

The Committee's mark provides $467 million over 1990 levels for the Coast Guard Operations account. This mark will enable the Coast Guard to carry out an increasingly broad mandate which includes drug interdiction, search and rescue activities, law enforcement, disaster assistance, and oil spill prevention and clean-up. The mark also contains additional resources for new responsibilities set forth in pending comprehensive oil spill legislation.

RAIL AND MASS TRANSIT

Rail plays an integral role in our national transportation system. Therefore, the Committee rejects the President's termination of funding for Amtrak and provides $90 million over 1990 levels in recognition of future capital improvement needs. The resolution also rejects the President's large reductions in mass transit programs.

ESSENTIAL AIR SERVICE

The Essential Air Service provides a vital link in the national transportation system for rural communities which otherwise might not have any accessible air service. Therefore, the Committee recommends full funding for this program.

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT

SUMMARY

Function 450 covers the community and regional development programs, including the Community Development Block Grant (CDBG), Appalachian Regional Commission (ARC), Economic Development Administration (EDA), Rural Development Insurance Fund programs, Rural Waste and Water Grants, the Rural Telephone Bank and Small Business Administration disaster loans.

Function 450 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	8.3	8.1	8.2	8.7	8.8
	O	7.9	7.4	7.5	7.8	8.1
Credit recommendation	DL	1.1	1.2	1.2	1.3	1.3
	LG	0.4	0.4	0.4	0.4	0.4

HIGHLIGHTS

The recommended 1991 budget authority for function 450 is $8.3 billion and the recommended outlays are $7.9 billion. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The Committee recommendation assumes budget authority at $317 million above the 1990 level for the Community Development Block Grant (CDBG) program, a level $480 million above the President's budget. The CDBG program provides funds to communities for a wide variety of purposes, including housing projects, economic development, public facilities development and social services; funding has been cut by over a billion dollars in this program over the past decade.

APPALACHIAN REGIONAL COMMISSION

The resolution assumes an increase of $16 million above the 1990 level for the Appalachian Regional Commission (ARC), a program targeted to aid an area of the country that has traditionally lagged behind in economic development. This figure is $114 million more than is proposed in the President's budget.

RURAL DEVELOPMENT INITIATIVE

In addition, the resolution funding level assumes budget authority of $150 million for the Rural Development Initiative. The Committee supports efforts that can assist rural communities to more fully share in and contribute to the economic growth and prosperity of our nation.

HOMELESS INITIATIVE

The Committee resolution assumes $150 million in budget authority for a homeless initiative, Rental Housing Assistance for the Homeless. This recommendation continues the Committee's commitment to ensuring enough resources are included in the resolution to assist in meeting the needs of the homeless.

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

SUMMARY

Function 500 programs promote the general extension of knowledge and skills, and assist individuals to become self-supporting members of society. These include: educational programs at all levels; employment and training; and grants to States to provide social and rehabilitative services to children, families, the elderly, and other needy persons. The function also includes services for handicapped persons.

Function 500 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	47.5	48.4	49.5	51.6	53.7
	O	42.4	47.2	48.8	50.3	52.1
Credit recommendation	DL	+(*)	+(*)	+(*)	+(*)	+(*)
	LG	12.8	13.5	13.8	14.0	14.1

HIGHLIGHTS

The Committee recommendation provides for $47.5 billion in budget authority and $42.4 billion in outlays in function 500. This is an increase of $5.8 billion in budget authority and $1.5 billion in outlays over current 1990 funding levels. The Committee assumes significant increases for Head Start, high-priority education programs, TRIO, the Community Services Block Grant, public library services, job training, and Historically Black Colleges and Universities under Title III, Part B of the Higher Education Act Amendments of 1986. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

CHILD CARE

The Resolution assumes full funding of the discretionary child care grant program contained in S. 5, the Act for Better Child Care Services, as passed by the Senate on June 23, 1989.

COMMUNITY SERVICES BLOCK GRANT

Recognizing the unique importance of the Community Services Block Grant in providing assistance to the low income population, the Committee recommends current services funding for this program.

ADULT LITERACY

The Committee believes that one of our nation's education goals must be the elimination of adult illiteracy by the year 2000. Some 23 million Americans are illiterate and unable to fully contribute to our nation's economic growth and prosperity. The Committee strongly believes that fiscal year 1991 should mark the beginning of a major federal campaign to attack illiteracy in our country. The committee recommends full funding of S. 1310, the National Literacy Act adopted on February 6, 1990 by unanimous vote by the Senate. This legislation provides the blueprint and the structure for a sustained federal effort in this area.

JOB TRAINING PARTNERSHIP ACT

As part of the national investment in our country's economic future, the Committee recommendation includes significant new funds in 1991 for Title II of the Job Training Partnership Act. Title II of JTPA is the primary Federal program designed to train the poor and hard-core unemployed for jobs and long-term employment. In real terms, JTPA has been one of the federal programs hardest hit with lost purchasing power during the 1980s. In fiscal year 1990 the JTPA Title II program was funded at a level lower than in its first year of operation in 1982. S. 543, the Job Training and Basic Skills Act, is currently pending on the Senate calendar. S. 543 would refocus the JTPA system on individuals who face multiple barriers to employment and who require more intensive, and therefore costly, training interventions. The Committee recognizes that additional funding will be required in fiscal year 1991 just to maintain current levels of Title II program participants. In light of these factors, the Committee strongly supports an increase in the Title II youth and adult programs.

EMPLOYEE OWNERSHIP AND PARTICIPATION

Recognizing that the combination of greater employee ownership and participation in company decisionmaking boosts productivity, the Committee assumes that authorizing legislation will be enacted to establish an Office of Employee Ownership and Participation within the Department of Labor. The Committee assumes, contingent upon enactment of this legislation, funding will be available in 1991 for the Office to administer a grant program, which will support State organizations that foster greater employee ownership and participation, and to perform additional activities.

BUREAU OF INDIAN AFFAIRS

The Committee encourages forward funding for the Bureau of Indian Affairs education program to put them on the same footing as all other education programs.

EDUCATION RESEARCH

The Committee also supports on-going results-oriented Federal education research institutions, particularly those that promote the funding of new ideas, determine how education progress is to be assessed, and establish standards and values for education practice for the future with particular attention to rural schools.

HANDICAPPED EDUCATION

The Committee recommendation assumes a substantial new commitment to funding for the Education of the Handicapped Act and the Rehabilitation Act. In addition, the Committee recognizes the importance of developing a long-range set of priorities in order to develop stable funding for behavioral and social science research within Federal research agencies.

IMPACT AID

The Committee rejects the Bush Administration reductions in the Impact Aid program which provides much needed resources for school districts affected by Federal property, operations, and employment. The Committee budget assumes current services funding for the Impact Aid Program.

Function 550: HEALTH

SUMMARY

Function 550 covers health programs other than Medicare and Veterans programs, including Medicaid, State grants for health services and prevention, biomedical research, Indian health, Federal retiree health benefits, health education and training, and consumer and occupational health and safety.

Function 550 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1195
Spending recommendation	BA	65.7	73.2	80.6	88.8	97.8
	O	64.5	72.6	80.2	88.2	96.8
Credit recommendation	LG	0.3	0.3	0.3	0.3	0.4

HIGHLIGHTS

The Committee recommendation provides for $65.7 billion in budget authority and $64.5 billion in outlays for this function. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

The Committee believes that increases in funding for health programs serving low-income individuals and combatting infant mortality are a sound investment in our children and in the nation's future. The Resolution therefore assumes increases for several high priority health programs including Maternal and Child Health, Community Health Centers, Migrant Health Centers, the National Health Service Corps, minority health initiatives, and childhood immunizations. Increases are also assumed for National Institutes of Health biomedical research, including cancer and mental retardation research, AIDS, and the war on drugs.

The Committee is very concerned about the increasing numbers of children of drug-addicted parents and notes that these children face special problems in their development. The Committee believes we must look at methods which can effectively provide for the health, education and general welfare of these children.

The Committee recognizes that an effort is underway to provide health care for all Americans and to control rising health care costs. Nothing in this resolution should be construed as limiting such an effort.

Function 570: MEDICARE

SUMMARY

Function 570 covers Medicare, including Part A hospital insurance, Part B supplemental medical insurance, premiums paid by aged and disabled beneficiaries, and discretionary program administration costs.

[In billions of dollars]

		1991	1992	1993	1994	1195
Spending recommendation	BA	123.6	134.6	147.3	161.0	175.4
	O	103.0	116.5	129.9	144.5	160.0

HIGHLIGHTS

The Committee recommendation provides $123.6 billion in budget authority and $103.0 in outlays for this function in 1991. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

The Resolution assumes $2 billion in reconciled Medicare savings in 1991. The Committee believes this amount is a fair share of deficit reduction for Medicare and notes that the Committee recommendation is considerably less than the $5.2 billion in Medicare cuts proposed by the President's budget. The Committee anticipates that protections will be provided for financially-strapped hospitals and that increases in beneficiary out-of-pocket expenses will be avoided. The Committee notes with great concern the difficulties faced by rural hospitals which service a disproportionate share of Medicare patients. The budget recommended by the Committee facilitates legislative reform to improve Medicare reimbursement rates for rural hospitals.

The Committee recognizes that the Physician Payment Reform Package, adopted by Congress in the Omnibus Budget Reconciliation Act of 1989, will significantly reallocate Medicare payments between medical practice specialties and will also begin to rectify historic geographic disparities in payment for physician services. It is the intent of the Committee in recommending spending reductions for Medicare, that reductions are made in a manner that preserves the integrity and the intent of the physician payment reform package.

The Resolution assumes $125 million in outlays above baseline for Medicare intermediaries and carrier operations to meet an increase in Medicare claims in Fiscal Year 1991, to implement Medicare physician payment reform legislation, and to improve payment safeguard efforts which prevent overpayments and program abuse. The committee recommends that costs for the predictable increase in the Medicare claims workload should be included, whenever possible, in the operating budget of the intermediaries, reserving contingency funds for unforseen workload increases and program changes.

The Committee also is concerned about the availability of adequate skilled nursing facilities to serve Medicare beneficiaries. The Resolution does not assume a reduction in the return on equity payment as proposed in the President's budget.

Function 600: INCOME SECURITY

SUMMARY

Function 600 provides income assistance and in-kind benefits to needy Americans and others who have experienced a temporary or permanent loss of income. The function includes programs providing benefits to federal retirees and railroad retirees; unemployment benefits; low-income housing assistance; food assistance to low-income households and school children; and cash assistance to specific low-income groups including families with children, the disabled, the elderly, refugees, and households with high energy costs.

Function 600 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	202.1	209.8	217.4	228.0	236.9
	O	155.7	164.1	175.0	186.1	194.4
Credit recommendation	DL	0.1	0.1	0.1	0.1	0.1

HIGHLIGHTS

The recommended funding levels for function 600 in 1991 are $202.1 billion in budget authority and $155.7 billion in outlays.

These levels include funding increases for low-income housing, homeless programs, the Women, Infants and Children (WIC) feeding program, and administration of the Supplemental Security Income (SSI) program.

Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

WOMEN, INFANTS, AND CHILDREN (WIC) SUPPLEMENTAL FEEDING PROGRAM

The WIC program remains one of the Committee's highest priorities. The Committee's recommendation assumes an increase in funding for WIC of $150 million above the CBO baseline. Steady annual increases of this amount could allow the WIC program to serve some 300,000 additional participants in 1991 and nearly the entire eligible population in five years. Currently, the WIC program serves only about 55–60 percent of eligible low-income women and children at nutritional risk. These additional funds are needed to prevent states from reducing WIC caseloads as a result of the rising costs of food packages and decreases in infant formula rebates.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM AND REFUGEE ASSISTANCE

The Committee recommendation assumes that these two critical low-income programs are funded at baseline levels in 1991.

HOUSING OPPORTUNITIES PROGRAM (HOP)

The budget totals for function 600 provide for a $3.3 billion initiative in support of low-income housing and homeless programs. At the foundation of this housing initiative is funding for the Housing Opportunity Partnerships (HOP). HOP is a new low-income housing delivery mechanism that reflects 3 years of conscientious effort by the Senate Housing subcommittee and the National Housing Task Force to forge a consensus on the best approach to providing housing to low-income Americans.

In addition to distributing funds by formula to State and local governments, HOP will provide funding to local non-profits. Local non-profit organizations—like Chattanooga Neighborhood Enterprises—are at the forefront of innovation in the efficient provision of low-income housing assistance. This feature of HOP further argues for its enactment and funding this year.

INCREMENTAL HOUSING ASSISTANCE

The housing initiative also provides adequate funding to increase by more than 25,000 families the number of new families assisted each year by HUD's low-income housing programs. This increase would raise so-called incremental housing assistance to 100,000 units. While a 100,000 unit incremental program does not give immediate hope to the millions of families with severe housing needs, this budget initiative does signify a reversal from the damaging trend of cuts in housing funding during the 1980s.

PREPAYMENTS AND LOW-INCOME HOUSING PRESERVATION

The housing initiative also assumes additional funding for preventing the loss of 12,500 HUD-subsidized units threatened by mortgage prepayments. Of equal importance in the low-income housing preservation debate is the rehabilitation and repair needs of the 1.4 million unit public housing stock. The resolution assumes funding for a significant increase in the public housing modernization program. The Committee's recommendation also includes $7.735 billion in budget authority to provide for the renewal of approximately 295,000 expiring Section 8 housing subsidies for a period of 5 years.

INDIAN HOUSING

The Committee is aware of the critical housing shortages on Indian Reservations. From the overall increases for subsidized housing, the budget assumes adequate funding for 3,000 incremental units of Indian Housing in 1991.

Function 650: SOCIAL SECURITY

SUMMARY

Function 650 provides income support to individuals when need arises from the retirement, disability, or death of a wage earner insured under the Social Security Program.

Function 650 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	340.2	368.0	398.3	431.0	465.5
	O	265.8	282.7	300.5	318.7	337.7

HIGHLIGHTS

The Committee recommends $340.2 billion in budget authority for this function in 1991 and $265.8 billion in outlays.

The Committee's recommendation includes an increase of $155 million over the 1990 spending level for Social Security Administration administrative expenditures (when portions of these expenditures in other functions are included, the total increase is about $320 million relative to the 1990 level). These increases are identical to the additional funds requested by the President. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

SOCIAL SECURITY BENEFITS

The Committee's recommendation assumes full benefits and full cost-of-living increases for all Social Security recipients.

SOCIAL SECURITY ADMINISTRATION COSTS

The $320 million increase for administrative costs is identical to the increase requested by the President. The President's request, however, while including this large increase, did not provide funds to increase staffing levels at the Social Security Administration (SSA). The Committee notes, however, that the current staffing level, which reflects a reduction of 18,000 positions over the last six years, appears to be insufficient to provide full service to the public. For example, a recent internal memorandum to the Commissioner indicates a definite possibility that workload growth could overwhelm the SSA's ability to adequately respond to all of its service requirements. Therefore the Committee believes that an increase of at least 4,000 staff may be necessary to provide full service to Social Security beneficiaries and believes that such additions can be accommodated within the $320 million expenditure increase, as requested by the President.

Function 700: VETERANS BENEFITS AND SERVICES

SUMMARY

Function 700 includes veterans compensation and pension payments, health services programs for veterans, housing loan guarantees, medical research and medical facility construction, education and training for veterans, and several other veterans benefits programs.

Function 700 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	32.1	32.9	33.8	34.8	35.7
	O	31.4	32.4	33.6	36.0	35.7
Credit recommendation	DL	0.6	0.5	0.5	0.4	0.4
	LG	15.6	15.9	16.2	16.6	16.9

HIGHLIGHTS

The Committee recommendation provides $32.1 billion in budget authority and $31.4 billion in outlays for this function. These amounts will allow for substantial increases in several priority programs including the medical care and construction programs and general operating expenses. The construction increase is due, in part, to the necessity of rebuilding a VA Medical Center that was destroyed in last year's Loma Prieta earthquake. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

MEDICAL CARE

The Resolution assumes a large increase in the medical care account to accomodate rapidly rising costs and to allow for nurse and physician pay reform to make Veterans Administration wages more competitive with wages elsewhere in the community.

COLAS

The Committee recommendation assumes full COLAs for veterans pension and compensation programs.

Function 750: ADMINISTRATION OF JUSTICE

SUMMARY

Function 750 includes funds for Federal law enforcement activities, anti-drug efforts, immigration programs, judicial and litigative programs, the Federal Prisons System, criminal justice assistance to States and localities, and legal services for the poor.

Function 750 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	13.1	13.8	14.4	15.0	15.6
	O	13.0	14.1	14.3	14.8	15.5

HIGHLIGHTS

The Committee recommends $13.1 billion in budget authority and $13.0 billion in outlays for function 750 for 1991.

The function 750 funding accommodates increases for both anti-drug activities and the Judiciary. Funding for anti-drug activities is $674 million above current level in budget authority and $545 million above current level in outlays. Funding for the Judiciary is $300 million above current level in budget authority and $275 above current level in outlays.

The function 750 recommendation includes an adjustment to the Federal Prisons buildings and facilities account. The 1990 level of budget authority was approximately $1.4 billion above the historical level in order to provide a one-time funding increase for the construction of prisons.

Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions. The Committee recommendation assumes no policy changes from CBO baseline levels in entitlements and other mandatory programs in this function.

THE JUDICIARY

The Committee recognizes the critical role of the Judiciary in the war on drugs. In 1991, drug cases are expected to total 35 percent of the criminal cases filed in district courts, a 64 percent increase from 1989. During the 1980's, drug-related criminal cases increased by 229 percent. The rapid increase in drug prosecutions could overwhelm the Federal courts unless sufficient resources are provided by Congress. The allocation for function 750 assumes a significant increase in funding for the Judiciary. The Committee recommends that the Appropriations Committee should strongly consider full funding for the Judiciary.

PROSECUTING FINANCIAL INSTITUTIONS FRAUD

The Committee recommends full funding of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) investigations and prosecutions of financial institution crimes at $75 million. The savings and loan debacle is the largest financial crisis since the Great Depression. Fraud, insider abuse and other criminal activity contributed significantly to the S&L crisis. This illegal activity will cost taxpayers billions of dollars. The Committee believes that we must pursue and prosecute those individuals responsible for losses.

While FIRREA authorizes $75 million for each of 3 years for investigative and prosecution purposes, the Administration only requested $50 million for the current year. Both the FBI and the U.S. Attorneys had requested more positions than they received in order to respond to inactive or unaddressed fraud and embezzlement cases.

The administration's budget proposal for 1991 does not make a specific request to target criminal activity related to the S&L crisis, instead including it within the overall request for investigating and prosecuting white collar crimes. The Committee strongly believes that resources need to be devoted specifically to fraud and insider abuse in the financial services industry. To accomplish this, the Committee urges the Appropriations Committee to provide the full $75 million for 1991.

ANTI-DRUG FUNDING

The Committee recommendation incorporates the President's request for law enforcement and anti-drug activities. Given the national concern with illegal drugs and their effect on communities and individuals, the Committee endorses targeted increases such as those for the Drug Enforcement Administration, the FBI, Organized Crime and Drug Enforcement, U.S. Attorneys, U.S. Marshals, and Prison salaries and expenses.

The budget resolution as a whole could accommodate, at a minimum, the President's total of $10.6 billion for anti-drug efforts, split among the following categories: law enforcement, interdiction, international, treatment and education/prevention. The Committee understands that the ongoing need for drug funding may require that this subject be revisited by the administration and Congress. The Committee notes the longstanding concerns raised by the Chairman of the Judiciary Committee that a full scale anti-drug effort may cost as much as $14 billion in 1991. Among the key priorities in this effort are the need to provide very significant increases for drug education and treatment programs and anti-drug law enforcement efforts.

Function 800: GENERAL GOVERNMENT

SUMMARY

Function 800 covers the Legislative Branch, the Executive Office of the President, fiscal operations of the Treasury, other central government functions, revenue-sharing programs, and treaty obligations.

Function 800 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	12.2	13.0	13.5	13.9	14.4
	O	10.8	11.7	12.3	12.8	13.6

HIGHLIGHTS

The Committee recommends $12.2 billion in budget authority and $10.8 billion in outlays for this function for fiscal year 1991. Outyear estimates are projected from 1991 levels using CBO baseline economic and technical assumptions.

INTERNAL REVENUE SERVICE

The Committee assumes funding for IRS will increase by $370 million in budget authority and $320 million in outlays over fiscal year 1990 levels. This level of funding is consistent with the President's discretionary increase to accommodate the ADP modernization efforts and the compliance initiative.

GENERAL SERVICES ADMINISTRATION

The Committee assumes $1.4 billion in budget authority and $41 million in outlays in fiscal year 1991 to fund the President's budget amendment for direct construction of six high priority federal buildings to implement the recommendations of a joint GSA/OMB study of future Federal office space requirements.

Function 900: NET INTEREST

SUMMARY

The net interest function includes: (1) interest on the public debt, including interest on securities sold to the public and to trust funds; (2) other interest payments and collections of the Federal government, including an offset for interest lost due to changes in other budget functions; and (3) a deduction of the amount of interest received by both on-budget and social security trust funds.

Function 900 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	182.0	183.2	185.0	183.4	178.6
	O	182.0	183.2	185.0	183.4	178.6

HIGHLIGHTS

The Committee assumes that the deficit reduction policies of the budget resolution would achieve savings of $2.0 billion in interest paid on the national debt, for total 1991 net interest payments of $182 billion.

Function 920: ALLOWANCES

SUMMARY

Function 920 traditionally includes funding for contingencies and other proposals where the savings and costs have not been distributed by function and thus its contents can vary from year to year.

Function 920 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	1993	1994	1995
Spending recommendation	BA	−0.2	−0.2	−0.2	−0.2	−0.3
	O	−0.2	−0.2	−0.2	−0.2	−0.3

HIGHLIGHTS

The savings recorded in this function represent miscellaneous administrative savings proposed in the President's budget.

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

SUMMARY

Function 950 is comprised of miscellaneous receipts of the Federal government including rents and royalties on the Outer Continental Shelf (OCS), the employer share of Federal employee's retirement (including military retirement), and receipts from new Federal policies.

Function 950 SPENDING AND CREDIT PROJECTIONS

[In billions of dollars]

		1991	1992	993	1994	1995
Spending recommendation	BA	−49.8	−51.5	−52.7	−55.0	−56.9
	0	−90.3	−71.7	−98.3	−111.2	−126.6

HIGHLIGHTS

The Committee recommends −$49.8 billion in budget authority, and −$90.3 billion in outlays for function 950 in 1991. The function 950 total includes receipts of Federal employee's retirement, and rents and royalties from the outer continental shelf. The recommended funding level also includes technical and economic adjustments necessary to make the overall savings proposal comparable to the President's proposal. Also included are aggregate reductions.

MISCELLANEOUS PROVISIONS IN THE RESOLUTION

Display of Alternative Measures of the Deficit.—Several Members of the committee, notably Senators Sanford, Simon, Exon, and Hollings, have called for more honest display of the deficit. To Address these concerns, the resolution sets forth a number of alternative deficit displays, many of which the committee voted to include in last year's resolution. All these provisions reflect the same underlying facts that lead to the deficit amounts appearing in section 2 of the resolution, which sets forth the deficit as defined in section 3(6) of the Congressional Budget Act.

Section 3 sets forth the increase in the debt. Section 4 shows the deficits if one excludes the Social Security trust funds, and if one excludes all trust funds. Section 5 displays the accounting treatment that S. 101 (Senator Sanford's bill) would require.

Asset Sales and Loan Prepayments.—The resolution includes a provision on asset sales that is very similar to that in last year's budget resolution. Last year's provision was identical to that of the year before. That provision, in turn, was a combination of two provisions in the previous budget resolution.

This section wold prevent the use for spending in fiscal year 1991 of the proceeds from asset sales and loan prepayments. It does this by prohibiting the counting of asset sales for purposes of the allocations to committees under section 302 of the Congressional Budget Act and for purposes of reconciliation under section 310 of the Act. This provision is consistent with section 251(a)(6)(I) of Gramm-Rudman-Hollings (the Balanced Budget and Emergency Deficit Control Act of 1985), which prohibits the counting of asset sales and loan prepayments for the purposes of determining whether that Act calls for across-the-board cuts.

This section does not preclude asset sales or loan prepayments; it merely precludes counting such transactions to the benefit of any committee. As this section, if adopted by the Senate and the House, would be a rule of the Senate and the House, respectively, it would supersede any previously adopted scorekeeping rules of the Senate or the House (for example, the Congressional Budget Act definition of "outlays") to the extent that they were inconsistent.

Reserve Fund.—The resolution also includes a reserve fund provision for programs within the Finance Committee's jurisdiction that is very similar to those for children and Medicaid funding in last year's resolution, and to those for the Welfare Reform and the Medicare Catastrophic Insurance Initiatives in the budget resolutions for the 2 years before that. Specifically, section 9 provides that budget authority and outlays may be reallocated to the Senate Committee on Finance to reflect changes in the Committee allocation resulting from legislative action if the Committee on Finance or the conference committee reports legislation within that committee's jurisdiction that will not increase the deficit in the resolution. When that legislation is reported and again upon the submission of a conference report, the Chairman of the Committee on the Budget may file with the Senate appropriately revised allocations under section 302(a) of the Congressional Budget Act of 1974 and revised functional levels and aggregates to carry out this section. Although the Budget Committee did not write provisions that govern the House of Representatives so as to accommodate the House's desire to write its own rules, the committee fully expects that provisions governing the House will be added to this section in conference.

Reconciliation of Revenues.—A sense of the Congress provision invites the President to submit additional revenue sources.

Chapter IV. ENFORCEMENT PROCEDURES AND SCOREKEEPING

RECONCILIATION INSTRUCTIONS

Section 310(a) of the Congresssional Budget Act provides for inclusion of reconciliation instructions in budget resolutions. In these instructions, Congress may direct committees to report out legislation by a certain date to reduce the deficit. Reconciliation instructions have been included in budget resolutions for every fiscal year since 1981 except 1985 and 1989.

The resolution for fiscal year 1991 includes instructions that direct that the committees of Congress take actions that would result in total deficit savings of $25.5 billion in 1991, $27.7 billion in 1992, $28.6 billion in 1993, $30.5 billion in 1994, and $32.6 billion in 1995, for a total of $144.9 over the 5-year period that the resolution covers. Revenue increases reconciled to the Finance Committee total $13.9 each year through 1995. In addition, the instructions call for increases in contributions totaling $5.76 billion in each of fiscal years 1991 through 1995. These reconciliation instructions for contributions reflect user fees and other collections.

The instructions contained in this resolution direct Senate and House committees to transmit their recommendations by July 20, 1990. Under section 310(b), multi-committee reconciliation legislation is reported to the Budget Committees. The Budget Committees package the legislation without substantive revision.

Points of order that the Senate can waive only with the vote of 60 Senators prohibit floor amendments to the reconciliation bill that:

—would increase the deficit (except that motions to strike are always in order);

—are not germane;

—are not extraneous to the reconciliation instructions; or

—change the old-age, survivors, and disability insurance program under title II of the Social Security Act.

Reconciliation Instructions by Committee

The table below shows reconciliation instructions by Senate Committee.

RECONCILIATION INSTRUCTIONS

[Reductions in millions]

	1991	1992	1993	1994	1995
Armed Services:					
O	220	310	320	340	360
Banking:					
O	570	910	780	830	910
Revenues	90	100	100	100	100
Commerce:					
BA	300	330	340	350	350
O	300	330	340	350	350
Energy:					
BA	210	220	220	230	230
O	160	220	220	230	230
Environment and Public Works:					
BA	220	240	250	260	270
O	220	240	250	260	270
Finance:					
O	2,000	3,620	5,180	6,830	8,650
Revenues	13,900	13,900	13,900	13,900	13,900
Contributions	5,760	5,760	5,760	5,760	5,760
Government Affairs:					
O	1,710	1,510	850	930	1,000
Labor:					
O	70	70	70	70	70
Revenues	110	230	280	330	380
Small Business:					
BA	50	60	60	60	60
O	50	60	60	60	60
Veterans:					
BA	400	450	460	460	490
O	380	450	480	490	510
TOTAL:					
Budget Authority	1,180	1,300	1,330	1,360	1,400
Outlays	5,680	7,720	8,550	10,390	12,410
Contributions	5,760	5,760	5,760	5,760	5,760
Finance revenues	13,900	13,900	13,900	13,900	13,900
Other revenues	200	330	380	440	490
Deficit reduction	25,540	27,710	28,590	30,490	32,560

Armed Services

The Armed Services Committee is reconciled for deficit savings of $220 million in 1991 and a total of $1.6 billion over the five year period.

Banking, Housing and Urban Affairs

The Banking Committee is reconciled for deficit savings of $660 million in 1991 and a total of $4.5 billion over the five year period.

Commerce, Science and Transportation

The Commerce Committee is reconciled for deficit savings of $300 million in 1991 and $1.7 billion over the five year period.

Energy and Natural Resources

The Energy Committee is reconciled for deficit savings of $160 million in 1991 and $1.1 billion over the five year period.

Environment and Public Works

The Environment and Public Works Committee is reconciled for deficit savings of $220 million in 1991 and $1.2 billion over the five year period.

Finance

The Finance Committee is reconciled for deficit savings of $21.7 billion in 1991. Of this amount, $2.0 billion is outlay savings, $5.8 billion is reconciled as contributions, and $13.9 billion is revenues.

Governmental Affairs

The Governmental Affairs Committee is reconciled for deficit savings of $1,710 million in 1991 and $6.0 billion over the five year period.

Labor and Human Resources

The Labor Committee is reconciled for deficit savings of $180 million in 1991 and $1.7 billion over the five year period.

Small Business

The Small Business Committee is reconciled for deficit savings of $50 million in 1991 and $0.3 billion over the five year period.

Veterans Affairs

The Veterans Affairs Committee is reconciled for deficit savings of $380 million in 1991 and $2.3 billion over the five year period.

SPENDING AND CREDIT ALLOCATIONS

COMMITTEE ALLOCATIONS

Section 302(a)(2) of the Congressional Budget Act requires that the statement of the managers accompanying the conference report on the budget resolution allocate, based upon the budget resolution, the appropriate levels of total budget outlays, total new budget authority, and new credit authority among the congressional committees that have jurisdiction over legislation providing such authority. Section 301(e)(9) requires the Budget Committee's report accompanying the budget resolution to include those same allocations.

The method for allocating the budget resolution totals this year parallels that of the last several years.

SECTION 302(b) SUBDIVISIONS BY COMMITTEES

Section 302(b) of the Act provides that following adoption of the budget resolution conference report, each committee shall subdivide its section 302(a) allocation. The Appropriations Committee subdivides its amounts among its 13 subcommittees and further subdivides the amounts with respect to each subcommittee between controllable amounts and all other amounts. Every other committee to which an allocation is made also subdivides the allocation among its subcommittees or among programs over which it has jurisdiction, and further subdivides the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

SCOREKEEPING AND ENFORCEMENT

These subdivisions become official scorekeeping targets that the Senate uses (along with the budgetary aggregates and the maximum deficit amount set forth under Gramm-Rudman-Hollings) in measuring spending bills. For this reason, section 302(c) requires that each committee must file its 302(b) subdivision before it may bring spending or credit legislation to the floor. Once the committees have filed, section 302(f) prohibits consideration of any measure that, if enacted, would breach a committee's 302(b) allocation.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR 1991

[In millions of dollars]

Committees	Direct Spending Jurisdiction		Entitlements funded in annual appropriations	
	Budget authority	Outlays	Budget authoirty	Outlays
Appropriations	672,115	682,192		
Agriculture, Nutrition, and Forestry	13,141	15,240	26,904	20,924
Armed Services	47,994	34,225		
Banking, Housing, and Urban Affairs	39,797	36,849		
Commerce, Science, and Transportation	1,959	−26	427	426
Energy and Natural Resources	1,206	948	44	44
Environment and Public Works	14,976	661		
Finance	797,442	683,584	78,749	78,458
Foreign Relations	9,015	9,081		
Governmental Affairs	66,793	43,916	−750	−750
Judiciary	2,221	2,116	135	133
Labor and Human Resources	3,735	2,931	6,013	5,961
Rules and Administration	37	29		
Veterans' Affairs	1,498	1,353	16,316	16,310
Select Indian Affairs	479	475		
Small Business	−50	−50		
Not allocated to committees	−251,958	−285,424		
Total	1,420,400	1,228,100	127,838	121,506

SENATE COMMITTEE CREDIT AUTHORITY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR 1991

[In millions of dollars]

Committees	Direct loans	Loan guarantees
Appropriations	8,975	71,545
Agriculture, Nutrition, and Forestry	8,019	5,750
Armed Services		
Banking, Housing, and Urban Affairs	3,250	500
Commerce, Science, and Transportation		104
Energy and Natural Resources		
Environment and Public Works	299	0
Finance	2	0
Foreign Relations		
Governmental Affairs		
Judiciary		
Labor and Human Resources		13,100
Rules and Administration		
Small Business		
Veterans' Affairs	587	15,597
Select Indian Affairs		
Not allocated to committees	69	104
Total	21,200	106,700

ECONOMIC ASSUMPTIONS AND SCOREKEEPING

The budget resolution must set forth amounts and levels based on a single set of economic and technical assumptions. In determining the budget deficit under its recommended budget resolution, the Committee chose to use the same economic and technical assumptions as the President used in his budget submission to the Congress.

By choosing to use the administration's economic assumptions to measure the deficit, the Committee is following the same rules that will be used later this year to determine whether sequestration is required. Under the Gramm-Rudman-Hollings law, the Office of Management and Budget, using its own economic projections, will determine whether the 1991 deficit target has been met. If the deficit target is exceeded by more than $10 billion, across-the-board spending cuts will take place.

OMB ECONOMIC ASSUMPTIONS

[By calendar year, percent]

	1990	1991	1992	1993	1994	1995
Real GNP	2.4	3.2	3.2	3.1	3.0	3.0
Consumer Price Index	3.9	4.0	3.9	3.6	3.3	3.0
Three-month Treasury bill rate	6.7	5.4	5.3	5.0	4.7	4.4
Ten-year Treasury note rate	7.7	6.8	6.3	6.0	5.7	5.4
Unemployment rate	5.4	5.3	5.2	5.1	5.0	5.0

As has been its practice over the years, in the exercise of its scorekeeping duties, the Senate Budget Committee would continue to use Congressional Budget Office estimates and analyses to prepare its reports to the Senate regarding the status of particular bills and amendments. The Committee would determine the aggregate levels of new budget authority, outlays, new spending authority, and revenues for a fiscal year on the basis of a standard adjustment to the Congressional Budget Office estimates consistent with the adjustments underlying this budget resolution.

Chapter V: SUMMARY TABLES

COMMITTEE RECOMMENDATION BY FUNCTION, 1991–1995

[In billions of dollars]

Function		1991	1992	1993	1994	1995
050: National defense	BA	285.6	285.4	285.4	285.5	285.5
	O	293.9	289.9	285.1	287.0	282.9
150: International affairs	BA	19.1	19.8	20.6	21.3	22.6
	O	16.9	18.0	18.5	18.6	19.6
250: Science, space, and technology	BA	16.6	17.3	18.0	18.7	19.5
	O	16.0	17.0	17.6	18.4	19.1
270: Energy	BA	6.0	5.3	6.0	6.4	6.8
	O	4.1	4.0	4.8	5.2	4.8
300: Natural resources and environment	BA	18.0	19.1	19.8	20.5	21.3
	O	18.6	19.2	19.8	20.2	20.7
350: Agriculture	BA	20.2	23.0	20.6	18.8	19.8
	O	16.4	17.6	16.3	15.9	15.2
370: Commerce and housing credit	BA	44.7	14.6	26.7	15.1	16.6
	O	44.9	4.4	14.6	2.0	4.1
400: Transportation	BA	33.4	35.2	36.7	37.7	39.4
	O	31.3	33.8	35.9	37.7	39.4
450: Community and regional development	BA	8.3	8.1	8.2	8.7	8.8
	O	7.9	7.4	7.5	7.8	8.1
500: Education, training, employment, and social services	BA	47.5	48.4	49.5	51.6	53.7
	O	42.4	47.2	48.8	50.3	52.1
550: Health	BA	65.7	73.2	80.6	88.8	97.8
	O	64.5	72.6	80.2	88.2	96.8
570: Medicare	BA	123.6	134.6	147.3	161.0	175.4
	O	103.0	116.5	129.9	144.5	160.0
600: Income security	BA	202.1	209.8	217.4	228.0	236.9
	O	155.7	164.1	175.0	186.1	194.4

COMMITTEE RECOMMENDATION BY FUNCTION, 1991–1995—Continued

[In billions of dollars]

Function		1991	1992	1993	1994	1995
650: Social Security:						
On-budget	BA	3.8	4.4	4.9	5.3	5.9
	O	3.8	4.4	4.9	5.4	5.9
Off-budget	BA	336.4	363.6	393.4	425.7	459.6
	O	262.0	278.3	295.6	313.3	331.8
Total	BA	340.2	368.0	398.3	431.0	465.5
	O	265.8	282.7	300.5	318.7	337.7
700: Veterans benefits and services	BA	32.1	32.9	33.8	34.8	35.7
	O	31.4	32.4	33.6	36.0	35.7
750: Administration of justice	BA	13.1	13.8	14.4	15.0	15.6
	O	13.0	14.1	14.3	14.8	15.5
800: General government	BA	12.2	13.0	13.5	13.9	14.4
	O	10.8	11.7	12.3	12.8	13.6
900: Net interest:						
On-budget	BA	203.5	210.6	219.0	225.0	228.8
	O	203.5	210.6	219.0	225.0	228.8
Off-budget	BA	−21.5	−27.4	−34.0	−41.6	−50.2
	O	−21.5	−27.4	−34.0	−41.6	−50.2
Total	BA	182.0	183.2	185.0	183.4	178.6
	O	182.0	183.2	185.0	183.4	178.6
(Gross interest)	BA	(274.7)	(286.3)	(296.0)	(303.9)	(309.7)
	O	(274.7)	(286.3)	(296.0)	(303.9)	(309.7)
920: Allowances	BA	−0.2	−0.2	−0.2	−0.2	−0.3
	O	−0.2	−0.2	−0.2	−0.2	−0.3
950: Undistributed offsetting receipts:						
On-budget	BA	−43.9	−45.2	−45.9	−47.7	−49.0
	O	−84.4	−65.4	−91.5	−103.9	−118.7
Off-budget	BA	−5.9	−6.3	−6.8	−7.3	−7.9
	O	−5.9	−6.3	−6.8	−7.3	−7.9
Total	BA	−49.8	−51.5	−52.7	−55.0	−56.9
	O	−90.3	−71.7	−98.3	−111.2	−126.6
Total spending	BA	1,420.4	1,453.0	1,528.9	1,585.0	1,656.7
	O	1,228.1	1,263.9	1,301.2	1,336.2	1,371.4
Revenues		1,180.6	1,258.6	1,349.1	1,427.7	1,507.9
Deficit surplus		−47.5	−5.3	47.9	91.5	136.5

COMMITTEE RECOMMENDATION BY FUNCTION, 1991–1995—Continued

[In billions of dollars]

Function	1991	1992	1993	1994	1995
Public debt [1]	3,296.4	3,443.1	3,550.2	3,626.5	3,672.2

[1] Debt subject to limit.

CREDIT SUMMARY TABLE, 1991–95

[In billions of dollars]

		1991	1992	1993	1994	1995
150: International Affairs	DL [1]	1,980	2,059	2,142	2,227	2,316
	LG [2]	7,152	7,176	7,477	7,777	8,105
	SLG [3]	398	414	431	448	466
207: Energy	DL	1,947	1,601	1,922	2,102	2,294
300: Natural Resources and Environment	DL	62	64	67	70	73
350: Agriculture	DL	9,077	8,920	8,736	8,697	8,548
	LG	6,998	7,259	6,650	6,704	6,761
370: Commerce and Housing Credit	DL	6,190	3,481	3,585	3,703	3,841
	LG	63,251	65,482	67,841	70,285	72,838
	SLG	85,345	85,035	88,197	91,506	94,963
400: Transportation	DL	46	48	50	52	54
	LG	100	0	0	0	0
450: Community and Regional Development	DL	1,126	1,168	1,211	1,262	1,309
	LG	398	367	381	396	411
500: Education, Training, Employment, and Social Services	DL	30	31	32	34	35
	LG	12,810	13,490	13,845	14,015	14,115
550: Health	LG	290	305	320	335	350
600: Income Security	DL	87	88	89	90	91
700: Veterans Benefits and Services	DL	587	503	456	428	406
	LG	15,597	15,901	16,232	16,582	16,942
Total	DL	21,131	17,963	18,290	18,664	18,968
	LG	106,596	109,980	112,746	116,094	119,522
	SLG	85,743	85,449	88,628	91,954	95,429

[1] Direct loans (DL).
[2] Loan guarantees (LG).
[3] Secondary loan guarantees (SLG).
(*) Less than $50 million.

CBO REESTIMATE OF THE PRESIDENT'S 1991 BUDGET REQUEST BY FUNCTION

[In billions of dollars]

Function		1991	1992	1993	1994	1995
050: National defense	BA	306.9	312.5	317.5	321.6	325.7
	O	303.7	309.2	312.3	319.1	319.9
150: International affairs	BA	20.3	19.7	20.2	20.7	21.5
	O	17.8	18.2	18.4	18.5	19.2
250: Science, space, and technology	BA	17.9	20.8	22.7	24.1	25.0
	O	16.7	19.3	21.4	23.2	24.4
270: Energy	BA	4.0	4.3	4.9	4.7	4.5
	O	3.9	3.1	3.7	3.6	2.6
300: Natural resources and environment	BA	17.9	18.3	18.0	17.6	16.8
	O	18.8	19.1	19.0	18.7	18.0
350: Agriculture	BA	17.9	18.4	14.9	12.4	12.2
	O	14.3	13.0	10.1	9.2	7.5
370: Commerce and housing credit	BA	43.6	13.5	25.4	13.6	14.9
	O	44.2	3.3	13.1	0.2	2.0
400: Transportation	BA	30.3	31.3	31.7	31.7	32.4
	O	29.5	30.0	30.7	31.4	32.0
450: Community and regional development	BA	6.9	6.3	6.1	6.3	6.1
	O	7.7	6.6	6.0	5.9	5.8
500: Education, training, employment, and social services	BA O	42.9 40.9	44.0 44.1	44.4 44.2	45.4 45.0	46.1 45.7
550: Health	BA	64.9	71.9	78.9	86.7	95.3
	O	64.2	71.7	78.7	86.3	94.5
570: Medicare	BA	124.6	135.5	147.9	161.8	176.2
	O	99.8	112.6	125.6	139.7	154.6
600: Income Security	BA	198.1	202.5	210.4	220.6	228.4
	O	153.1	158.9	167.0	176.6	184.0
650: Social Security	BA	342.9	371.6	400.1	434.5	469.5
	O	265.8	282.6	300.3	318.4	337.4
700: Veterans benefits and services	BA	31.8	32.9	33.7	34.7	35.6
	O	31.3	32.2	33.3	35.7	35.4
750: Administration of justice	BA	12.6	13.3	14.3	14.6	15.1
	O	12.5	13.7	14.3	14.5	14.9
800: General government	BA	11.4	11.6	11.6	11.7	12.0
	O	11.5	12.1	11.8	11.8	12.0

CBO REESTIMATE OF THE PRESIDENT'S 1991 BUDGET REQUEST BY FUNCTION—Continued

[In billions of dollars]

Function		1991	1992	1993	1994	1995
900: Net interest	BA	182.9	186.5	191.3	192.8	191.2
	O	182.9	186.5	191.3	192.8	191.2
920: Allowances	BA	−1.1	−1.1	−1.2	−1.2	−1.3
	O	−1.1	−1.1	−1.2	−1.2	−1.3
950: Undistributed offsetting receipts	BA	−40.4	−43.2	−45.1	−45.8	−48.8
	O	−40.4	−43.2	−45.1	−45.8	−48.8
Total spending	BA	1,436.2	1,470.5	1,547.7	1,608.5	1,678.1
	O	1,277.2	1,291.6	1,354.9	1,403.6	1,451.2
Revenues		1,146.0	1,208.0	1,276.0	1,356.0	1,440.0
Deficit		−131.0	−84.0	−79.0	−47.0	−11.0

Chapter VI. VIEWS AND ESTIMATES OF SENATE COMMITTEES

Section 301(d) of the Congressional Budget Act calls on the committees of the Senate and House to report to their respective Budget Committees by February 25 of each year their views and estimates of budget requirements for matters within their jurisdiction to assist the Budget Committees in preparing the budget resolution.

Following is the letter sent by the Budget Committee to the other committees of the Senate requesting their views, together with the responses received.

JIM SASSER, TENNESSEE, CHAIRMAN

ERNEST F. HOLLINGS, SOUTH CAROLINA
J. BENNETT JOHNSTON, LOUISIANA
DONALD W. RIEGLE, JR., MICHIGAN
J. JAMES EXON, NEBRASKA
FRANK R. LAUTENBERG, NEW JERSEY
PAUL SIMON, ILLINOIS
TERRY SANFORD, NORTH CAROLINA
TIMOTHY E. WIRTH, COLORADO
WYCHE FOWLER, JR., GEORGIA
KENT CONRAD, NORTH DAKOTA
CHRISTOPHER J. DODD, CONNECTICUT
CHARLES S. ROBB, VIRGINIA

PETE V. DOMENICI, NEW MEXICO
WILLIAM L. ARMSTRONG, COLORADO
RUDY BOSCHWITZ, MINNESOTA
STEVE SYMMS, IDAHO
CHARLES E. GRASSLEY, IOWA
ROBERT W. KASTEN, JR., WISCONSIN
DON NICKLES, OKLAHOMA
WARREN B. RUDMAN, NEW HAMPSHIRE
PHIL GRAMM, TEXAS
CHRISTOPHER S. BOND, MISSOURI

JOHN L. HILLEY, STAFF DIRECTOR
G. WILLIAM HOAGLAND, MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510-6100

February 6, 1990

The Honorable
Chairman

Dear Mr. Chairman:

The Congressional Budget Act requires committees of the House and Senate to submit their views and estimates on budget matters to the Budget Committees on or before February 25 of each year. The views and estimates reports are an important first step in developing a balanced and workable budget plan that accurately reflects the priorities of the Senate.

This year's budget will be particularly challenging as we seek to reconcile many important domestic priorities and initiatives with the budgetary targets set by the Gramm-Rudman-Hollings legislation. In the past, the information contained in your reports has helped us achieve this balance. Summaries of your comments will be included in our budget resolution markup materials and the full text of your views will appear in the Committee report on the budget resolution.

As in previous years, we ask that your submission include proposals for new initiatives as well as suggestions for potential budgetary savings. In addition, we hope that as part of your report, you will respond to the President's budget proposals in your area. So that you will have adequate time to review the President's 1991 budget, we are delaying the deadline for your reports from February 25 to March 9.

We have provided several sets of budget estimates and other technical information to your staff in order to assist them in preparing your submission. Please let us know if you need any additional information or assistance.

We look forward to working with you and your Committee over the next weeks as we develop a budget plan for 1991.

Sincerely,

Jim Sasser
Jim Sasser
Chairman

Pete V Domenici
Pete V. Domenici
Ranking Republican Member

United States Senate
COMMITTEE ON
AGRICULTURE NUTRITION AND FORESTRY
WASHINGTON DC 20510-6000

March 19, 1990

The Honorable Jim Sasser
Chairman
Committee on the Budget
United States Senate
Washington D.C. 20510

Dear Mr. Chairman:

This letter provides the view of the Senate Committee on Agriculture, Nutrition and Forestry regarding the 1991 fiscal year budget cycle. These views are provided in response to both section 301(d) of the Congressional budget Act of 1974 and your letter dated February 6, 1990.

The Committee will deal with one of its most important actions of the decade in debating, developing and hopefully passing the 1990 farm bill. Obviously this omnibus legislation will affect outlays on nearly every topic under the Committee's jurisdiction. The farm bill will have a substantial effect on outlays not only in fiscal year 1991, but in every year through fiscal year 1996 or 1997 as well. The Committee plans to enact this legislation by the August recess.

As in past years, this letter is arranged by major program areas that will be the focus of Committee activity this year. In addition to commodity programs, the Committee will also concern itself with nutrition, crop insurance, food safety, conservation, trade, forestry, research, rural development and other topics.

Commodity Programs

Spending on agricultural programs has fallen significantly in the past three years. This decline is due to a number of factors, including significant Committee action to reduce program spending.

In last year's views and estimates letter, the Committee stated:

> "The Congressional Budget Office projects declines of nearly 23% or $2.9 billion in fiscal year 1990 compared to fiscal year 1989 outlays. Should CBO's projections come true, spending on agricultural programs will have fallen more than 62% from fiscal year 1986 levels."

Current projections by CBO on 1990 spending levels have fallen even further than last January's estimates. CBO now projects that fiscal year 1990 spending will fall to $7.5 billion - only 29% of the spending in fiscal year 1986.

Spending for fiscal year 1991 is now projected to increase, due in part to the Administration's use of certificates to make payments under the 1989 disaster assistance legislation, as well as a projected return to more normal growing conditions. But CBO's projections for the next five years indicate that spending on commodity programs should stabilize around the $10-$12 billion level.

The Committee also has contributed significantly to deficit reduction through reconciliation action over the past three years. The table below shows the savings from the past two reconciliation bills in which the Committee cut farm program spending by more than four billion dollars.

Agriculture Committee Budget Savings
($ millions)

	FY88	FY89	FY90	FY91
'87 Reconciliation	$972	$1,513	$336	---
'89 Reconciliation	---	---	$928	$400
Total	$972	$1,513	$1,264	$400
				$4,149

Spending on agricultural programs has also declined as a result of changing climatic conditions and higher farm prices. In February 1987, CBO projected that outlays for fiscal years 1990-1992 for the commodity programs would total $54.0 billion. In their preliminary baseline for this year they now project $31.4 billion for the same time period -- a $22.6 billion decrease.

The combined effect of the 71% decline in farm program spending since 1986 and previous Committee savings in reconciliation bills have brought farm program spending down to a more sustainable level. In fact, with current projections, farm program spending as a percentage of total federal spending will be significantly below the 1970s when the share of federal spending devoted to agriculture was at an historic low. In the 1970s, a decade considered by most analysts to be the period of strongest real farm income and lowest federal farm program cost in recent history, commodity program spending was 1.4% of total federal outlays. For FY 1991-93, even though absolute farm program costs are above 1970 levels, under the baseline commodity program costs will average only 0.8% of federal spending.

In considering commodity program spending levels, we must ensure that these levels not harm the agricultural sector, nor should they undermine the U.S. position in the multilateral trade negotiations currently underway in the Uruguay Round of the General Agreement of Tariffs and Trade. The Committee does not want to send the erroneous signal to competing countries that the U.S. is prepared to unilaterally disarm in agriculture in advance of any agreement in GATT.

Crop Insurance

The Committee will also consider, as part of the farm bill, legislation to reform the crop insurance and other disaster assistance programs. The Committee disagrees with the Administration's budget estimate which suggests that $600 million in savings can be achieved by termination of Federal Crop Insurance in fiscal year 1991. Most crop insurance polices that would affect fiscal year 1991 outlays are already in place. In fact, actuary tables for some 1991 crops have already been sent to producers. The Committee recommends continued funding for crop insurance for FY 1991 at current levels, pending its' consideration of crop insurance reform and alternatives.

Rural Development

Rural development will be a top priority of our Committee this year. As compared to metropolitan counties, many rural counties have higher unemployment rates, 1,000 rural counties have rates in excess of 9%, per capita income averages 30% lower, poverty rates 35% higher, rural education and business activity is lagging in some areas. The Committee was very pleased by President Bush's comments, "America's economic recovery will not be complete until rural America's economic recovery is complete."

The Senate passed bipartisan rural development legislation last year. House action on rural development legislation is expected shortly. The Committee expects to complete the legislative process this year to begin the revitalization of rural America which may involve additional first year funding of up to $500 million.

The Committee strongly feels the need to bring rural America back into the economic mainstream. The reductions proposed in President Bush's budget rural programs could be inconsistent with the rural development efforts of Congress.

Nutrition Programs

The Committee was pleased to have you, and your ranking minority Member, Senator Domenici, recently address the Committee on the nutritional needs of Americans -- especially America's children.

Provisions of the nutrition bill that both of you introduced will become an important aspect of the farm bill.

In recent years our Committee has worked very closely with the Budget Committee on nutrition issues, and we look forward to continuing the process.

The Temporary Emergency Food Assistance Program (TEFAP) is an important nutrition program. Under the "mandatory purchase" provisions of the Hunger Prevention Act, USDA will purchase, this fiscal year, 72 million pounds of peanut butter, 30 million pounds of canned pork, 38 million pounds of beans and 7 million pounds of raisins to distribute to the needy.

This will be distributed along with commodities in surplus: 144 million pounds of flour, 48 million pounds of cornmeal, 72 million pounds of butter, and 41 million pounds of honey.

Up to 15 million Americans rely on that program. Unfortunately, CBO has not included renewal of that program in its baseline. It is important that your Committee provide funds to continue TEFAP, through the life of the farm bill, at least at its current level of $120 million per year. Without a change in the baseline or an increase in the Committee's spending allocation, other nutrition programs would have to be cut to pay for the necessary extension of TEFAP. In addition, we ask your help in correcting this baseline problem for the future.

This same baseline problem exists for the "soup kitchen" provision in the Hunger Prevention Act. That section requires USDA to provide $32 million worth of nutritious foods, in FY 1991, for distribution to America's homeless. That program, which does not expire until next year, nonetheless should be extended at least at its current level through the life of the farm bill. Again, we ask that in your reallocation to our Committee that you adjust the baseline or allocate spending for the soup kitchen extension, and we ask your help in correcting this problem for the future.

Many of the provisions in your bill focus on food stamps. As you know, the food stamp program represents one of America's best child nutrition programs. Over eighty percent of its benefits go to families with children. We request additional funding for food stamp improvements of up to $500 million (FY 1991), $800 million (FY 1992) and $950 million (FY 1993).

The bill that Senator Domenici and you introduced addresses improvements in that program.

The current food stamp excess shelter deduction cap, for rent, utilities, and other housing costs, is $177 per month. Your bill would uncap that deduction.

Another change that you propose concerns increasing basic food stamp benefit levels.

Your bill provides for a disregard of the first $50 of child support per month for families on Aid to Families with Dependent Children who are also on food stamps.

The bill increases the vehicle exclusion from its current level of $4,500 to $5,500 and then indexes it to inflation. That is consistent with a recommendation included in President Reagan's Task Force on Food Assistance in 1984.

The bill also provides for funding the Nutrition Assistance Program (NAP) in Puerto Rico at the current level of services. The Committee intends to examine the need for additional increases.

We appreciate your interest in these important nutrition programs. We look forward to discussing your recommendations in the Agriculture Committee in the context of the budget resolution.

We were pleased to hear of your continuing support for increased funding for the Women, Infants and Children program. We support increasing WIC funding, consistent with both of your recommendations, on an annual basis above current services levels.

We will continue to support effective and strong nutrition programs. Of course, we support funding for the reauthorization of the food stamp program, the Nutrition Assistance Program, the Commodity Supplemental Food Program, the Food Distribution Program on Indian Reservations and the Temporary Emergency Food Assistance Program.

Conservation

The Committee also believes that the Conservation Reserve Program will be continued in a modified form in the future. The continuation of the program will be necessary to achieve necessary environmental reforms in the agricultural sector. The budget resolution should reflect this reality.

Forestry

Over a third of the Senate has indicated its support for the President's Tree Planting Initiative. The Administration has stated that $175 million will be needed in 1991 to begin a program that will meet this ambitious goal. This program has broad bipartisan support and the allocation for discretionary spending should be developed in a manner that will accommodate this initiative.

In addition to the Administration's tree planting initiative the Committee plans to include a forestry title in the 1990 Farm Bill. The Forestry Title will expand assistance programs for landowners of existing forest lands and should provide for rural development as well as environmental health.

The Committee would like to restore some balance between public and private land management programs by expanding authorizations for private forest management programs by up to $100 million. The Committee feels that we can no longer ignore the needs of private forest land owners.

Farmers Home Administration

The Administration has proposed to reduce significantly direct lending in the Farmers Home Administration (FmHA). The Committee is unlikely to approve these changes. The Committee intends to address legislatively several issues to strengthen FmHA's lending and supervision problems to minimize future budget concerns.

Research and Extension

A number of the land grant colleges and universities as well as the National Research Council are now engaged in an effort to significantly increase new funding for research to strengthen the agricultural, food and environmental system. This research effort will focus on six main areas:

plant systems,
animal systems,
nutrition, food safety and health,
natural resources and the environment,
engineering, products and processes and,
markets, trade and policy.

The Board on Agriculture of the National Research Council has requested $500 million to fund this effort. The Committee feels that this research effort deserves support. While recognizing that obtaining the level of funds requested by the Council will be difficult, particularly in the first year, the Committee suggests that a path of $150 million in fiscal year 1991, $275 million in fiscal year 1992 and $400 million in fiscal year 1993 should be seriously considered.

Conclusion

The Committee will devote considerable effort this year toward the development of the 1990 farm bill. This legislation will cut across all areas of the Committee's jurisdiction from commodity programs to nutrition, from credit programs to grain quality.

The Committee recognizes the need to continue its efforts to reduce federal spending and the budget deficit. We also have a responsibility to develop a viable, long term agricultural policy. We will work with the Budget Committee to achieve these goals.

Sincerely,

Richard G Lugar
RICHARD LUGAR
Ranking Minority Member

Patrick Leahy
PATRICK LEAHY
Chairman

ROBERT C. BYRD, WEST VIRGINIA, CHAIRMAN

DANIEL K. INOUYE, HAWAII
ERNEST F. HOLLINGS, SOUTH CAROLINA
J. BENNETT JOHNSTON, LOUISIANA
QUENTIN N. BURDICK, NORTH DAKOTA
PATRICK J. LEAHY, VERMONT
JIM SASSER, TENNESSEE
DENNIS DeCONCINI, ARIZONA
DALE BUMPERS, ARKANSAS
FRANK R. LAUTENBERG, NEW JERSEY
TOM HARKIN, IOWA
BARBARA A. MIKULSKI, MARYLAND
HARRY REID, NEVADA
BROCK ADAMS, WASHINGTON
WYCHE FOWLER, JR., GEORGIA
J. ROBERT KERREY, NEBRASKA

MARK O. HATFIELD, OREGON
TED STEVENS, ALASKA
JAMES A. McCLURE, IDAHO
JAKE GARN, UTAH
THAD COCHRAN, MISSISSIPPI
ROBERT W. KASTEN, JR., WISCONSIN
ALFONSE M. D'AMATO, NEW YORK
WARREN RUDMAN, NEW HAMPSHIRE
ARLEN SPECTER, PENNSYLVANIA
PETE V. DOMENICI, NEW MEXICO
CHARLES E. GRASSLEY, IOWA
DON NICKLES, OKLAHOMA
PHIL GRAMM, TEXAS

JAMES H. ENGLISH, STAFF DIRECTOR
J. KEITH KENNEDY, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510-6025

March 12, 1990

The Honorable Jim Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Chairman Sasser and Senator Domenici:

On behalf of the Committee on Appropriations, we submit herewith the views of the Committee and each of its Subcommittees on the first concurrent resolution on the budget, in compliance with section 301(d) of the Congressional Budget Act of 1974, as amended. Senator Hatfield does not concur with the views expressed for the Subcommittee on Defense.

The President's budget for Fiscal Year 1991 includes full funding of the 1991 baseline in budget authority and outlays for domestic discretionary programs; however, his budget again this year proposes major reductions in numerous important programs (as well as elimination of others) for which Congress has repeatedly provided funding in the past. Included in our report is a listing of these reductions, which total $10.1 billion in budget authority and $3.4 billion in outlays.

The President's budget also includes substantial increases in several key areas: for NASA, biotechnology and energy, an increase of $3.3 billion in budget authority; for research and development, an increase of $2.6 billion; for Head Start, an increase of $500 million; for the war on drugs, an increase of $1.1 billion, for protecting the environment, an increase of $2.2 billion; and for FAA, an increase of $800 million.

In order to adequately fund these needs as well as other Congressional initiatives that will undoubtedly arise as we proceed with our 1991 appropriations process, a substantial increase above the President's request will be required for domestic discretionary programs.

According to information provided to the Committee from the Congressional Budget Office, in the last 10 years domestic discretionary spending has suffered a real cut below inflation of $35 billion. During that same period, spending for entitlement and mandatory programs has increased by $146 billion above inflation, defense spending has increased by $72 billion above inflation, and net interest costs have increased $81 billion above inflation.

Regarding the so-called "peace dividend", the President's request for defense calls for a reduction of $3.2 billion in outlays below the baseline. It is simply not possible this early in the appropriations process to determine the amount of further reductions that may be possible for Fiscal Year 1991. It is the Committee's view that additional savings in DoD spending should, to the greatest extent possible, be left within the 302 allocation of the Appropriations Committee. Only then will the Committee be in a position to properly address the nation's pressing domestic needs.

Sincerely,

Robert C. Byrd

Mark O. Hatfield
Ranking Minority Member

Robert C. Byrd
Chairman

RCB/msd

Views *of the*

Committee on Appropriations
United States Senate

on the First
Concurrent Resolution
on the Budget

Fiscal Year 1991

101 *st* CONGRESS, SECOND SESSION

March 1990

[COMMITTEE PRINT]

S. PRT. 101–00

VIEWS

OF THE

Committee on Appropriations

United States Senate

ON THE

FIRST
CONCURRENT RESOLUTION
ON THE BUDGET

FISCAL YEAR 1991

MARCH 1990

U.S. GOVERNMENT PRINTING OFFICE
26–880 ♥ WASHINGTON : 1990

COMMITTEE ON APPROPRIATIONS

ROBERT C. BYRD, West Virginia, *Chairman*

DANIEL K. INOUYE, Hawaii
ERNEST F. HOLLINGS, South Carolina
J. BENNETT JOHNSTON, Louisiana
QUENTIN N. BURDICK, North Dakota
PATRICK J. LEAHY, Vermont
JIM SASSER, Tennessee
DENNIS DECONCINI, Arizona
DALE BUMPERS, Arkansas
FRANK R. LAUTENBERG, New Jersey
TOM HARKIN, Iowa
BARBARA A. MIKULSKI, Maryland
HARRY REID, Nevada
BROCK ADAMS, Washington
WYCHE FOWLER, JR., Georgia
J. ROBERT KERREY, Nebraska

MARK O. HATFIELD, Oregon
TED STEVENS, Alaska
JAMES A. McCLURE, Idaho
JAKE GARN, Utah
THAD COCHRAN, Mississippi
ROBERT W. KASTEN, JR., Wisconsin
ALFONSE M. D'AMATO, New York
WARREN RUDMAN, New Hampshire
ARLEN SPECTER, Pennsylvania
PETE V. DOMENICI, New Mexico
CHARLES E. GRASSLEY, Iowa
DON NICKLES, Oklahoma
PHIL GRAMM, Texas

JAMES H. ENGLISH, *Staff Director*
MARY S. DEWALD, *Chief Clerk*
J. KEITH KENNEDY, *Minority Staff Director*

CONTENTS

Page
Introduction 1
Agriculture, Rural Development, and Related Agencies 9
Commerce, Justice, State, the Judiciary, and Related Agencies 12
Defense 17
District of Columbia 20
Energy and Water Development 22
Foreign Operations, Export Financing, and Related Agencies 26
Interior and Related Agencies 29
Labor-HHS-Education and Related Agencies 34
Legislative Branch 38
Military Construction 40
Transportation and Related Agencies 42
Treasury, Postal Service, and General Government 45
VA, Housing and Urban Development, and Independent Agencies 50

INTRODUCTION

Under the provisions of Gramm-Rudman, the fiscal year 1991 deficit projection in the congressional budget resolution cannot exceed $64,000,000,000. (The final deficit projection for fiscal year 1991 made by OMB on October 15, 1990, however, must not exceed $74,000,000,000 in order to avoid a sequester.)

In computing the fiscal year 1991 deficit, the President's budget starts with a Gramm-Rudman-Hollings baseline deficit projection of $100,500,000,000. (The Gramm-Rudman-Hollings baseline deficit is calculated by assuming there will be no changes in law for fiscal year 1991 and that fiscal year 1990 appropriations will grow by the rate of inflation.)

In order to reduce the $100,500,000,000 baseline deficit to $64,000,000,000, the President proposes the following:

	In billions
New revenues (net)	$13.9
User fees and collections	5.6
Reductions in entitlements	13.9
Defense outlay cut below baseline	3.2
Net interest reduction	1.3
Offsetting receipts increase	.6
Increase international outlays above baseline	–.2
Increase domestic discretionary outlays above baseline	–.8
Exclude one-time speedups	–1.0
Net baseline deficit reductions	36.5

The effect of the President's budget on the Appropriations Committee is to reduce defense outlays in fiscal year 1991 by $3,200,000,000; to increase outlays for international programs by $200,000,000 above the baseline; and to increase outlays for domestic discretionary programs by $800,000,000 above the baseline.

In other words, in order to achieve the necessary deficit reductions for fiscal year 1991, the President's budget would reduce programs under the jurisdiction of the Appropriations Committee by a net of $2,200,000,000 in outlays below the baseline. (A reduction of $3,200,000,000 in defense outlays is offset by the $200,000,000 in international outlays and by the $800,000,000 in domestic discretionary outlays.)

Although the President is requesting close to full funding of the fiscal year 1991 baseline for domestic discretionary programs, he has proposed major reductions and program eliminations again this year totaling $10,100,000,000 in budget authority and $3,400,000,000 in outlays. A complete listing of these proposed reductions is contained on page 277 of the President's budget and in table A of this report.

With the savings achieved from the above list of major reductions, the President requests substantial increases in several important areas: For NASA, biotechnology and energy, an increase of $3,300,000,000 in budget authority; for R&D, an increase of $2,600,000,000; for Head Start, an increase of $500,000,000; for the war on drugs, an increase of $1,100,000,000;

for protecting the environment, an increase of $2,200,000,000; and for FAA, an increase of $800,000,000. (See table B for full listing.)

In order to restore funding for the programs that are proposed for major reductions or elimination in the President's budget (which Congress has repeatedly done in past years) as well as to fund the President's initiatives, all of which are also congressional priorities, the Committee will need an allocation from the budget resolution of at least $10,000,000,000 in budget authority and $5,000,000,000 in outlays above the President's request for domestic discretionary programs.

DOMESTIC DISCRETIONARY REAL CUTS: 1981–90

According to CBO, between 1981 and 1990, domestic discretionary spending suffered a real cut of $35,000,000,000. During that same period, spending for entitlements and mandatory programs has increased by a total of $146,000,000,000 above inflation. National defense spending has increased $72,000,000,000 above inflation; and net interest has increased by $81,000,000,000 above inflation since 1981. (See table C.)

The peace dividend.—It is too early in the process to determine the extent to which defense spending can be further reduced in fiscal year 1991 without endangering our national security. The President proposes a $3,200,000,000 reduction in outlays below inflation. The Appropriations Committee needs time to scrutinize every line item in the DOD budget through its hearings before making decisions regarding further cuts. We need to make further cuts only after close consultation with the Armed Services Committee and with Secretary Cheney.

It is the Committee's position that any further DOD cuts in fiscal year 1991 should remain within the Committee's allocation and should be used to help increase funding for many critically important domestic discretionary programs. Since 1981, these programs have suffered $35,000,000,000 in real cuts. We have reached the bottom of the barrel on cutting these programs. We have gone beyond fat and muscle—we are down to the bone.

TABLE A.—SIGNIFICANT PROPOSED REDUCTIONS IN DOMESTIC DISCRETIONARY PROGRAMS

[In millions of dollars]

(In descending order of budget authority savings)

	Budget authority			Outlays		
	1990	1991	Change	1990	1991	Change
Rural Electrification Administration	65	−2,028	−2,093	66	−137	−203
Farmers Home Administration	1,023	−622	−1,645	863	−697	−1,560
Mass transit	1,911	1,160	−751	3,498	3,353	−145
Transportation passenger subsidy programs	636	24	−612	609	91	−518
New subsidized housing construction	579		−579	1,237	1,434	+197
Sewage treatment plant construction grants	1,948	1,600	−349	2,363	2,339	−24
Grants to States for special services	389	42	−347	390	150	−240
Low-income home energy assistance	1,393	1,050	−343	1,372	1,079	−293
Reducing the role of the Federal Government in local economic development	389	95	−294	342	358	+16
Highway demonstration and other highway projects	236		−236	47	76	+29
Reduction in postal rates for Government mail		−220	−220		−220	−220
Fossil energy research and development	417	202	−215	384	324	−60
Energy conservation grants	368	183	−185	341	326	−15
Housing for the elderly or handicapped fund	413	228	−185	392	414	+22
Community development block grants	2,915	2,752	−163	2,995	3,046	+51

TABLE A.—SIGNIFICANT PROPOSED REDUCTIONS IN DOMESTIC DISCRETIONARY PROGRAMS—Continued

[In millions of dollars]

(In descending order of budget authority savings)

	Budget authority			Outlays		
	1990	1991	Change	1990	1991	Change
Health professions training subsidies	238	75	−163	214	145	−69
Federal Crop Insurance Corporation administrative expenses	223	73	−150	184	142	−42
National Park Service construction	248	100	−148	103	139	+36
Perkins loans capital contributions and State student incentive grants	194		−194	234	159	−76
Customs Service and Coast Guard major equipment purchases	674	563	−111	568	587	+19
Railroad Retirement Board subsidies	340	241	−99	340	241	−99
Impact aid "b" payments	124	25	−99	128	46	−82
Other small education programs	101	10	−91	84	96	+12
Rehabilitation loan fund		−87	−87	5	−46	−51
Public library grants	83		−83	83	49	−34
Payment to the Postal Service fund	453	373	−80	453	373	−80
Justice assistance	661	588	−73	411	497	+86
Cooperative State Research Service and Extension Service	752	693	−59	758	714	−44
Rental rehabilitation grants	128	70	−58	27	77	+50
Bureau of Indian Affairs construction	160	103	−57	94	104	+10
Business loan and investment fund	160	104	−56	25	63	38
Railroad assistance programs	50		−50	79	70	−9
Bureau of Reclamation construction	653	609	−43	665	616	−49
Fish and Wildlife Service construction	69	33	−36	41	54	+13
Abandoned mine land reclamation grants	150	117	−33	150	141	−9
Bureau of Mines operating programs	178	146	−32	172	156	−16
College housing and academic facilities loans	30	5	−25			
Public telecommunications facilities	20		−20	24	20	−4
Small Business Administration salaries and expenses	345	326	−19	342	330	−12
Interstate Commerce Commission	44	31	−13	44	28	−16
Congregate services program	6		−6	5	5	
Total, significant proposed reductions in discretionary programs	18,860	8,730	−10,130	20,218	16,815	−3,403

TABLE B.—PRESIDENT'S FISCAL YEAR 1991 DOMESTIC DISCRETIONARY INITIATIVES

[In billions of dollars]

	Budget authority	Outlays
Expanding the human frontier:		
NASA	2.9	0.5
Biotechnology	.2	([1])
Energy [2]	.2	.2
Subtotal, human frontier	3.3	.7
Enhancing R&D:		
NSF	0.3	0.3
Global change [2]	.4	.3
Agricultural research initiative		
HIV/AIDS	.5	.8
Moon/Mars exploration	.4	.3
Space station	.7	.8
Magnetic levitation transportation		

TABLE B.—PRESIDENT'S FISCAL YEAR 1991 DOMESTIC DISCRETIONARY INITIATIVES—Continued

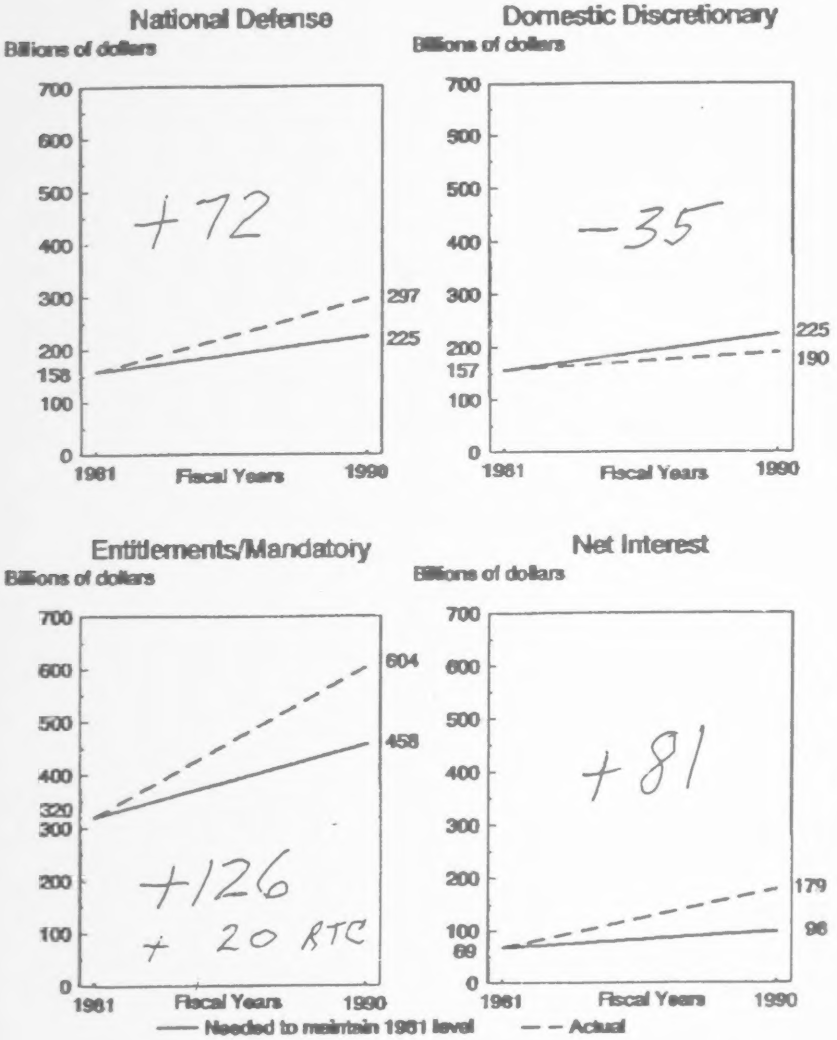
[In billions of dollars]

	Budget authority	Outlays
Superconductor/supercollider [2]	.1	.1
Robotics		
Science and engineering education	.2	.1
Subtotal, R&D	2.6	2.7
Investing in human capital:		
Head Start	0.5	0.5
Statistics		
Research and dissemination		
Even start		
Subtotal, human capital	.6	.6
Ending the scourge of drugs: Federal drug programs	1.1	2.8
Protecting the environment:		
America the beautiful	0.3	0.2
Protecting wetlands	.1	.1
EPA operating budget	.2	.2
DOI: Environmental infrastructure	.1	.1
Superfund	.2	.1
Federal facility clean-up	.8	.3
Global change research [2]	.4	
Natural resource R&D	.1	.1
Subtotal, environment	2.2	1.0
Improving the transportation infrastructure: Air traffic system update	0.8	0.2
Total President's initiatives	10.6	8.0
Less: Adjustments for double-counting:		
Superconductor	0.1	0.1
Global change	.4	.3
Total, adjustments	.5	.4
Grand total, President's initiatives	10.1	7.6

[1] Total is less than $50 million.

[2] Double-counted by President.

TABLE C.—1990 SPENDING COMPARED TO LEVEL NEEDED TO MAINTAIN 1981 PROGRAM



This report sets forth the views of the Committee on Appropriations on the fiscal year 1991 budget, and is submitted to the Senate Budget Committee in accordance with section 301(d) of the Congressional Budget Act of 1974, as amended. The Committee notes that in lieu of the February 25 deadline set in the statute, the Senate Committee on the Budget has extended the deadline until March 9, 1990.

The additional time had been provided to allow committees to assess the effects of the Bush administration proposals that were received on January 29, 1990.

President Bush's fiscal year 1991 budget totals $1,396,476,290,000 in budget authority and $1,233,331,123,000 in outlays. Of these amounts, total budget authority and outlays included in President Bush's budget within this Committee's jurisdiction are $694,237,000,000 and $696,149,000,000, respectively.

The Congressional Budget Office [CBO] has estimated that the amount for outlays in the President's budget is understated by an amount of $438,000,000. The Committee notes that, of the amount of the President's proposal under the Committee's jurisdiction, an amount of $499,146,000,000 in budget authority is for programs considered discretionary. This includes defense ($307,777,000,000), international affairs ($20,545,000,000), and domestic discretionary ($170,824,000,000) programs. It should be noted that the domestic discretionary category represents only 12.2 percent of the total budget authority requested in the President's budget.

Fiscal year 1991 spending estimates contained in this report are at best preliminary, and reflect the concerns of the 13 subcommittees. The President's budget was transmitted to the Congress on January 29, 1990, and most of the detailed justification material arrived in February. Consequently, the subcommittees have just begun the hearings designed to scrutinize the administration proposals within their respective jurisdictions. All this is causing, and will continue to cause, substantial delays in the processing of appropriations bills. Nevertheless, despite these difficulties, the Committee is determined to do all it can to assure timely processing of the 13 annual appropriations bills in cooperation with the Bush administration.

President Bush has submitted $392,000,000 in 1990 supplemental requests plus $570,000,000 to be derived by transfer. A detailed account-level analysis must occur before this Committee can reach final recommendations on fiscal year 1990 supplemental requests.

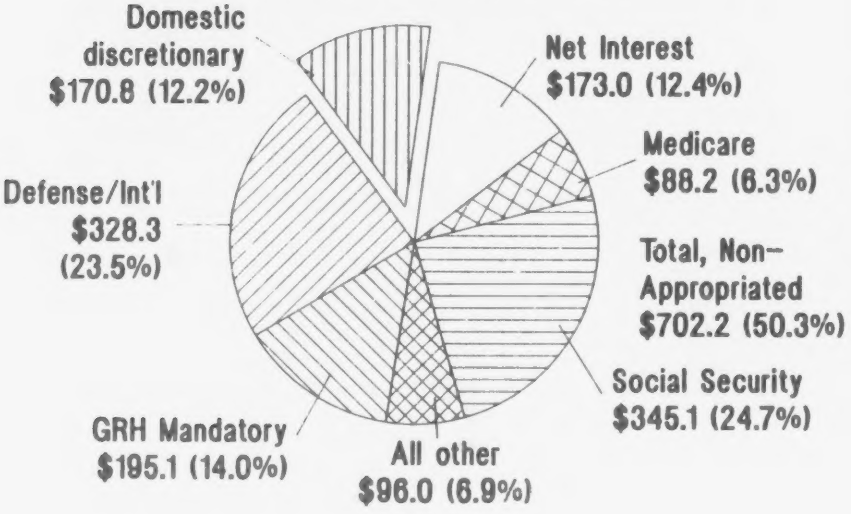
The Committee notes that the President's budget request, in many cases, is predicated on actions outside the control of the appropriations process, including changes in substantive law and administrative actions.

Confronted with the need to substantially reduce the Federal deficit, the Committee reiterates its continuing commitment to achieving the maximum level of budget savings possible.

The following table sets forth the relative portion of the total budget attributable to domestic discretionary items that are controllable by the Committee on Appropriations.

Composition of the 1991 Budget

Budget Authority in Billions of Dollars



	Dollars in billions	Percent of total
Total budget	1,396.5	100.0
Nonappropriations:		
Net interest	173.0	12.4
Medicare[1]	88.2	6.3
Social Security	345.1	24.7
All other	96.0	6.9
Total, nonappropriations	702.2	50.3
Appropriations:		
Defense (050)	307.8	22.0
International affairs (150)	20.5	1.5
Domestic discretionary	170.8	12.2
Gramm-Rudman-Hollings mandatory	195.1	14.0
Total appropriations	694.2	49.7
Less Gramm-Rudman-Hollings mandatory	−195.1	−14.0
Controllable portion	499.1	35.7

[1] An additional $37,000,000,000 is provided from Gramm-Rudman-Hollings mandatory appropriations.

The following table shows the portion of the President's request within the purview of the Committee. Comparable tables are included by subcommittee:

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	180,805	195,092	+14,286	10,288	167,532	177,820
Discretionary	480,962	499,146	+18,183	220,845	297,483	518,328
Subtotal	661,768	694,237	+32,470	231,134	465,015	696,149
Modifications to 1990:						
Supplementals	392	....	−392	23	....	23
Rescissions	....	....	....	....	....	....
Subtotal	392	....	−392	23	....	23
Total	662,160	694,237	+32,077	231,157	465,015	696,171

NOTE: In all tables, detail may not add to totals due to rounding.

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	35,307	40,666	+5,358	2,018	22,674	24,692
Discretionary	9,046	9,637	+592	1,721	7,406	9,127
Subtotal	44,353	50,303	+5,950	3,738	30,080	33,818
Modifications to 1990:						
Supplementals						
Rescissions						
Subtotal						
Total	44,353	50,303	+5,950	3,738	30,080	33,818

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Agriculture, Rural Development, and Related Agencies Subcommittee provides funding for all agencies of the U.S. Department of Agriculture except the Forest Service. These programs include agricultural research and extension activities, a variety of conservation programs, farm income and commodity price support programs, a number of marketing and inspection activities, several domestic food programs, rural development and electrification, and the various export and international activities of USDA.

In addition, the subcommittee provides funding for the Food and Drug Administration and the Commodity Futures Trading Commission, and establishes a limitation on the administrative expenses of the Farm Credit Administration and the Farm Credit System Assistance Board. It also provides money to the Department of the Treasury for payments to the Farm Credit System Financial Assistance Corporation.

CBO BASELINE

The 1990 CBO baseline for the subcommittee is $55,074,072,000 in budget authority and $34,478,826,000 in total outlays. It should be noted that the baseline contains no funding for the purchase of commodities under the Temporary Emergency Food Assistance Program for which $119,573,000 is available in 1990 and $120,000,000 is requested in the President's budget for 1991.

PRESIDENT'S BUDGET

The President's budget continues past attempts to reduce or eliminate rural housing, rural electrification, rural development, and special research programs and projects while proposing modest increases in a few select programs.

Overall, the President has requested $50,303,189,000 in budget authority and $33,818,354,000 in outlays. The difference between the President's request and the baseline for budget authority is primarily due to the reimbursements to the Commodity Credit Corporation. The President estimates the need for $6,100,000,000 and the baseline estimates $10,969,000,000—a difference of $4,869,000,000.

It should be noted that CBO makes scorekeeping adjustments to the President's budget due to the reductions in direct loan levels. Therefore, CBO calculates the President's request as $47,581,306,000 in budget authority and $32,714,766,000 in outlays, reflecting reductions of $2,721,883,000 in budget authority and $1,260,308,000 in outlays.

The President has proposed several pieces of legislation not under the jurisdiction of the Committee on Appropriations, including user fees for several marketing and inspection programs, changes to conservation cost-share arrangements, guarantees of private sector money in the Rural Electrification Administration and changes in eligibility for certain food programs. However, the President's budget does reflect current law levels since the legislation has not been enacted.

An anomaly is the Food and Drug Administration where $157,000,000 in user fees is assumed in the budget without any proposed legislation. Since user fees have been prohibited in the past, an additional $157,000,000 over the President's request would be required.

PROGRAMS ELIMINATED/MAJOR CUTS

The President has cut $1,646,420,000 of direct and guaranteed loans for the Rural Electrification Administration, leaving only $200,000,000 in direct electric loans and $125,000,000 in Rural Telephone Bank loans. The subcommittee notes that a significant backlog of eligible applications exists. The request also eliminates reimbursements to the rural electrification and telephone revolving fund and funding for the rural economic development subaccount. The 1990 level for these programs was $245,749,000.

In research and extension, the President proposes only $25,597,000 for special research grants and projects, while the 1990 level was $61,654,000. Special extension grants totaling $16,654,000 are eliminated, and the Expanded Food and Nutrition Education Program [EFNEP] is reduced to $21,600,000 from a 1990 level of $58,635,000.

The President has requested major cuts in the Farmers Home Administration [FmHA]. Direct rural housing loans are cut by $877,818,000. Direct farm loans are reduced from $1,583,736,000 to $563,500,000. And direct rural development loans are cut by $88,271,000. Rural development grant programs are cut by $144,433,000. The subcommittee notes that Congress continues to work on a major rural development package for which there is no funding in the budget.

For nutrition programs, the President proposes to eliminate Nutrition Assistance for Puerto Rico—funded at $936,750,000 in 1990—and fund it at $825,000,000 under the Department of Health and Human Services. Until new authorization is adopted, the subcommittee has assumed a level of $825,000,000 in the President's budget under USDA. The subcommittee is aware that the Mickey Leland Memorial nutrition bill is pending in Congress and includes substantial increases in nutrition funding. Such increases are not included in the President's budget.

Finally, the President proposes a reduction of $58,562,000 in the Public Law 480 program, or a cut of $119,424,000 from the baseline, as well as the elimination of the $30,000,000 sunflower and cottonseed oil export program.

MAJOR INCREASES

The President's budget for mandatory programs is over the 1990 level by $5,358,388,000 primarily due to reimbursements to revolving funds for past losses. Reimbursements to the Commodity Credit Corporation, the Federal Crop Insurance Corporation, and the Farmers Home Administration loan funds are up by $4,030,653,000. Another $1,792,550,000 is requested for increases in the Child Nutrition Programs, the Food Stamp Program, and the Conservation Reserve Program. These are all mandatory accounts.

The $591,638,000 increase in discretionary programs is predominantly due to the President's proposal to replace direct loans with subsidized guaranteed loans and a housing voucher program. The budget estimates these subsidies and vouchers to cost $585,615,000.

The President has highlighted several high priority areas for increases in research and extension. A 132-percent increase in competitive grants—or $56,934,000—is requested. Increases of $52,000,000 for water quality, $40,500,000 for food safety, $19,200,000 for global climate, $10,000,000 for a new Youth at Risk Program, and $7,700,000 for the 1890 land-grant institutions are included in the budget request.

SUPPLEMENTALS

Three supplemental requests are pending, two of which are contained in the budget. The first request proposes such sums as may be necessary for unanticipated costs associated with the Food Stamp Program. No amount is official, but estimates range from $375,000,000 to $510,000,000. The second request is for $13,900,000 to be derived from new user fees for the Food and Drug Administration for review of applications and for the surveillance and testing of drugs. Congress has not allowed the use of user fees in the past.

The third request was submitted by the Commodity Futures Trading Commission on February 2, 1990 and proposes $3,655,000 to increase the Commission's oversight and enforcement resources.

CREDIT

As mentioned earlier, the President proposes, if not the elimination, the drastic reduction of many loan programs. Direct loan reductions, in total, amount to $2,710,935,000. Guaranteed loan reductions total $719,131,000. In order to provide the 1990 loan levels, the President's request would need to be increased by these amounts.

COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	306	846	+540	26	815	841
Discretionary	18,870	18,883	+13	5,357	13,439	18,796
Subtotal	19,176	19,729	553	5,383	14,253	19,636
Modifications to 1990:						
Supplementals	392		−392	20		20
Rescissions						
Subtotal	392		−392	20		20
Total	19,568	19,729	+161	5,403	14,253	19,656

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The postsequester fiscal year 1990 appropriations for the Departments of Commerce, Justice, and State, the Judiciary and 27 related agencies, as presently tallied, amounted to $19,176,000,000. The President's budget requests the repeal of section 614 in the 1990 appropriation act, as well as some supplemental appropriations, which adds $392,000,000 to that tally, so the 1990 total would be $19,568,000,000.

The 1990 appropriations included $1,200,000,000 for the taking of the 1990 decennial census, $1,000,000,000 for the construction of prisons, $183,000,000 for the Israel Radio Relay Station, and $500,000,000 to the disaster loan fund for Hurricane Hugo and the California earthquake. All told, these major nonrecurring items amount to $2,883,000,000.

However, there must be added to the 1990 appropriations the cost of the January 1990 pay raise that was not funded in 1990, the unabsorbed cost of the 1991 pay raise, as well as other built-in costs totaling $1,145,200,000, as follows:

	In millions
Department of Commerce	$318.5
Department of Justice	346.5
Department of State	164.6
The judiciary	226.1
Related agencies	89.5
Total	1,145.2

The President's budget for fiscal 1991 proposes program increases over the Department's and agencies base levels of $2,329,000,000, as follows:

	In millions
Department of Commerce	$248.4
Department of Justice	748.8

	In millions
Department of State	961.1
The judiciary	118.9
Related agencies	251.6
Total	2,329.0

The subcommittee is just beginning hearings on these requests. Generally speaking, the subcommittee welcomes these increases.

The program enhancements for the Department of Commerce include $69,000,000 for climate and global change, and $11,000,000 to expand the coastal ocean programs of the National Oceanic and Atmospheric Administration; $30,300,000 to upgrade the internal research programs of the National Institute of Standards and Technology; and a $17,800,000 initiative to upgrade the statistical programs in the Department of Commerce.

The administration is again requesting reductions of $146,565,000 in marine and other NOAA research programs and activities. Likewise, the administration again proposes the elimination of Commerce's economic development, trade adjustment assistance and public television facility grants. Congress has consistently rejected these reductions and the subcommittee expects to maintain the funding.

For the Department of Justice, program increases focus on drug enforcement, white collar crime, financial institution fraud, and environmental law enforcement activities. Highlights of program increases are as follows: $37,630,000 for 99 additional U.S. Deputy Marshal positions associated with seized assets management, judicial, witness, and prisoner security programs, and prisoner transportation and detention; $49,447,000 for the support of U.S. prisoners for medical care and guard service costs associated with a 20-percent increase in jail days projected in 1991; $107,295,000 to reimburse agencies for their participation in organized crime drug enforcement task force [OCDE] cases, including $29,857,000 to reimburse Customs, IRS, and BATF which are under the jurisdiction of the Treasury, Postal Service Appropriations Subcommittee; $39,837,000 for an additional 274 FBI agents; $121,759,000 for an additional 408 DEA agents to significantly expand domestic enforcement efforts in five high intensity drug trafficking areas, enhancement of DEA's research and engineering activities, and expansion of State and local task forces; $167,540,000 for the Federal Prison System to activate and expand two Federal correctional institutions, three camps, four detention units, and three housing units; $203,400,000 for the construction of one Federal prison complex, seven detention facilities, the conversion of active and closed military properties into minimum security facilities, expansion at six existing institutions, and one medical facility; and, $45,000,000 to increase formula grants for State and local drug law enforcement.

(It is noted that in accordance with the action taken last year, $500,000,000 will be available from the permanent indefinite appropriation for the civil liberties public education fund.)

As was noted with regard to the Department of Commerce, the President again proposes to reduce or eliminate funding for several programs within the Department of Justice. The fiscal year 1991 budget eliminates most of the funding that Justice has provided to juvenile justice and delinquency prevention, as well as the grants for incarcerated Mariel Cubans and reduces by $3,652,000 funding for the regional information sharing systems. Congress has consistently rejected these reductions and the subcommittee expects to maintain the funding.

The increases for the Department of State include $270,000,000 to demolish the bugged new office building in Moscow and rebuild the facility, as well as $620,366,000 to pay over the next 5 years the United States arrearages to international organizations and for international peacekeeping activities. State's increases also include $76,700,000 to restore to the Department's base the funds transferred out in 1990 to restructure the foreign affairs administrative system.

The increases for the judiciary include $79,000,000 in drug-related costs for additional adjudication and pretrial/probation services staff to handle the projected 37,500 new drug defendants in 1991 and an additional $14,500,000 to continue the automation of the courts, and an additional $8,600,000 for increased court security. The U.S. Sentencing Commission is requesting a 30-percent increase.

Funding is eliminated for four of the commissions funded under related agencies. In the case of the Commissions on Ocean Shipping, the Ukraine Famine, and International Migration and Cooperative Economic Development, there appears no need for continued funding of the $1,700,000 that was included for them in 1990. However, the Competitiveness Policy Council is a continuing body and $1,000,000 is required for its operations in 1991. It is also noted that the request for the Commission on the Bicentennial of the U.S. Constitution is for five quarters to match its legislated termination in December 1991.

The budget of the Legal Services Corporation is held to the 1990 level of $316,625,000. The Corporation's 1991 request is still under review by the new Board of Directors.

The Securities and Exchange Commission is requesting a $51,752,000 increase over the 1990 appropriation. However, the 1990 appropriation was offset by $26,000,000 in new fees. The SEC recovers 140 percent of its budget in receipts to the U.S. Treasury. The administration is proposing $80,179,000 in new SEC fees.

For the Small Business Administration the total request is $349,500,000, approximately $600,000,000 less than 1990, primarily due to the previously noted nonrecurring disaster assistance for Hurricane Hugo and the California earthquake. Instead of the previous stance of completely eliminating the $82,000,000 in direct business loans, the administration is proposing $5,000,000 for the new 8(a) minority direct loan program. Also instead of proposing elimination of funding of the Small Business Development Centers, the administration proposes phase out funding over 3 years. In addition, the administration proposes $102,000,000 in additional fees on borrowers from the business loan and investment fund. The subcommittee is not aware of congressional support for these proposals and expects to maintain the funding of these programs.

The request of the U.S. Information Agency is $986,700,000, or $59,800,000 higher than 1990 and includes a major increase for radio construction to complete new facilities in Thailand and Morocco. Increases are requested for the National Endowment for Democracy and also for Radio and TV-Marti. The request calls for a reduction of $15,211,000 in staff and program reductions. The subcommittee commends the USIA in reversing the earlier decision to eliminate six Voice of America languages as part of this reduction but, given the recent events in Eastern Europe, Russia, Nicaragua, and elsewhere, this is not the time to make a reduction to the base programs of the USIA, particularly the Voice of America.

ADDITIONAL AMOUNTS REQUIRED

The subcommittee appreciates the fact that the administration budgeted more fully for the departments and agencies assigned this subcommittee. However, there are several major areas under the jurisdiction of the subcommittee that are not sufficiently funded in the President's budget. As indicated earlier, hearings on the 1991 estimates have just commenced so the subcommittee has not reviewed the administration's requests, and we would expect, as we have in the past, to make reductions to those requests that are not supportable. Pending that review, the subcommittee believes that room must be made at this time for the following additional amounts over the 1990 appropriations and the increases requested by the administration:

DEPARTMENT OF COMMERCE

	In millions
There are several proposals pending in the Congress to establish a seafood inspection program. One of these proposals would assign the activity to the National Oceanic and Atmospheric Administration and the first year cost is estimated to be	$35.0
The subcommittee also intends to support enhancement of the external research programs of the National Institute of Standards and Technology to accelerate the competitiveness initiative	35.0

DEPARTMENT OF JUSTICE

Public Law 101–173 increased the amount of administratively uncontrollable overtime [AUO] paid to law enforcement agents. The budget proposes that these increased costs be absorbed by the affected agencies. This would cause a reduction in law enforcement and slow the momentum that has built up over the last 2 years	72.2

DEPARTMENT OF STATE

The subcommittee is aware that the Department is planning additional consulates in Eastern Europe due to recent developments in that region. As indicated in the following the subcommittee strongly supports strengthened public diplomacy in this area but due to the lack of firm departmental plans, is not recommending any provision for this item	

RELATED AGENCIES

EASTERN EUROPEAN AND OTHER PUBLIC DIPLOMACY INITIATIVES

The recent events in Eastern Europe and Russia present Radio Free Europe and Radio Liberty as well as the United States Information Agency with great opportunities in these areas. The subcommittee is advised that these opportunities could approach $35,000,000 over the amounts requested for 1991 for these agencies. As noted earlier, this is not the time to make a $15,211,000 reduction to the base programs of the USIA, particularly the Voice of America. In addition, the East-West Center has projected a need for an additional $6,000,000 to train American business executives so that they will be more competitive in dealing with the Pacific Rim nations	56.2

LEGAL SERVICES CORPORATION

The subcommittee believes that the CBO baseline level of $329,186,000 is the minimum appropriate level for 1991	12.7
Total additions	211.1

CONCLUSION

In summary the subcommittee estimates an overall requirement of $20,322,300,000 for fiscal 1991, as follows:

	In millions
1990 appropriation after repeal of section 634 and supplementals	$19,568.0
Less: Major nonrecurring programs and projects	–2,883.0
Plus:	
Adjustments to base	+1,145.2

	In millions
Administration's increases	+2,329.0
Additional increases	+211.1
Total estimate	20,370.3

FISCAL YEAR 1990 SUPPLEMENTALS AND RESCISSIONS

As indicated above, the President's 1991 budget includes the following in 1990 supplementals and rescissions under the jurisdiction of this subcommittee:

THE JUDICIARY

Supreme Court: Article III justices COLA pay raise	$63,000
Court of Appeals, District Courts, and Other Judicial Services: Salaries and expenses—of which $5,253,000 is for Article III judges COLA pay raise and $22,750,000 is required to replace the reduced income from revised estimates on fee collections	28,003,000
U.S. Sentencing Commission: To handle the caseload for the sentencing monitoring system and court decisions on sentencing practice	700,000

FISCAL YEAR 1991 CREDIT ESTIMATES

The President again proposes the elimination of loans guaranteed by the Economic Development Administration that Congress has maintained at the $150,000,000 level for several years.

It is also again proposing to make no new commitments to guarantee loans from the Federal ship financing fund by both the National Oceanic and Atmospheric Administration and the Maritime Administration. The Committee believes that this is a matter to be decided by the authorizing committee.

Finally, the budget proposes the elimination of the general business direct loan program of the Small Business Administration as well as the termination of the disaster loan fund. While the Committee has worked with the administration in reducing the direct loan program, it has found wide support for the current level. The Committee does not believe that the disaster loan fund can be eliminated as last year's events tragically illustrated, there is no moratorium on national disasters and something needs to be available to assist our citizens overwhelmed by catastrophic tornadoes, floods, hurricanes, et cetera.

DEFENSE

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	155	165	+10	....	165	165
Discretionary	284,204	287,118	+2,914	106,853	177,374	284,227
Subtotal	284,359	287,283	+2,924	106,853	177,539	284,391
Modifications to 1990:						
Supplementals	–523	....	+523	NA	....	....
Rescissions	....	....	....	....	....	....
Subtotal	–523	....	+523	....	....	....
Total	283,836	287,283	+3,447	106,853	177,539	284,391

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The jurisdiction of the Defense Subcommittee includes all spending for the Defense Department except for amounts for military construction and family housing programs. The subcommittee also provides funding for the Central Intelligence Agency retirement and disability fund and support for the intelligence community staff.

FISCAL YEAR 1991 BUDGET ESTIMATES

The fiscal year 1991 request submitted by the administration for appropriations under the jurisdiction of the Defense Subcommittee totals $287,282,674,000. Associated outlays from new authority and prior balances, as estimated by the Office of Management and Budget [OMB], are $284,391,251,000. The Congressional Budget Office's [CBO] estimate for outlays is $681,826,000 above that of OMB. The difference between OMB and CBO, while a substantial sum, is well below estimating differences of past years. By itself, this difference should not create significant problems similar to those experienced in recent years.

CBO BASELINE

The President's budget request is below the CBO baseline by $9,991,478,000 in budget authority and $4,366,728,000 in outlays. This is the first time in several years that the President's budget has been submitted at a level below the CBO baseline. This may reflect a recognition that, for the past 5 straight years, enacted appropriations have not met budgeted levels and, in fact, have fallen below the CBO baseline. Unlike the recent past, because the request is already significantly below the baseline level, the Senate and the Budget Committee should recognize that the Appropriations

Committee cannot be expected to recommend substantial reductions in the President's budget without effecting adverse consequences for our national security posture.

ADJUSTMENTS TO THE PRESIDENT'S REQUEST

The Committee on Appropriations strongly recommends that the budget resolution include the amount requested for defense. We are not oblivious to the global changes which are reshaping our need for national defense funding. Nonetheless, adjustments which decrease the spending below the already reduced amount requested by the administration are unwarranted at this time. It is simply premature to recommend substantial reductions in defense spending.

This Committee is charged with making recommendations for appropriate amounts of funding for defense. We will meet that responsibility. Clearly, objective realities will dictate that reductions be made in spending for military programs. To make those spending cuts now, while the promise of arms reductions and the hope of democracy in Eastern Europe hang in delicate balance, would be reckless and foolhardy. If, in its urgency to fulfill unmet needs at home, America is seen to be treating its collective defense responsibilities in a cavalier fashion, if we are perceived as abandoning the structure and order which we brought out of the chaos which followed World War II, we will contribute, not to a better life for our citizens, but to an unleashing of mischief and disorder which could lead again to chaos. That is what is at stake here. We know that reductions will be made—must be made—but they must be made when we have a clearer vision of where Europe, and the world, is going. The outcome of elections in Europe and results of arms negotiations will yield the added clarity needed to make prudent and informed national decisions on funding for defense. America has been steadfast for 45 years; now is not the time to make ill considered decisions. Let us act with reason, with seasoned judgment.

The Committee recognizes some reductions may be required in the programs recommended by the President to provide sufficient resources to meet unbudgeted congressional priorities. In addition, the Committee will be required to make adjustments in the President's request to offset $1,359,050,000 in budget authority and $894,846,000 in outlay requirements. These adjustments result from the Committee's rejection of unauthorized deferrals proposed by the President and the estimating differences between OMB and CBO.

The Committee is aware that the Budget Committee may seek to impose additional adjustments, particularly to defense outlays, to help meet deficit reduction targets. The Committee does not concur with any additional adjustments.

CONTROLLABILITY OF DEFENSE OUTLAYS

In reviewing funding for national defense, the Budget Committee should consider the relative near-term uncontrollability of defense spending. Approximately 78 percent of defense outlays should be viewed as uncontrollable. CBO estimates that $107,411,341,000, approximately 38 percent of defense spending, will result from decisions made in prior years. Under the proposed budget, an additional $75,112,755,000 (27 percent) in outlays will result from the direct cost of military personnel. This level is already $2,462,674,000 below the CBO baseline and reflects a proposed reduction of 38,000 from current military personnel levels. In fact, if the Congress agrees to the requested amount, both the Army and Air Force will be at their lowest force levels since 1950. Civilian personnel costs account for another $36,672,000,000 (13 percent) in outlays. The Defense Department is currently reducing its civilian work force through the use of a hiring freeze and plans an additional decrease of 3,000 people in its fiscal year 1991 request. Further reductions do not appear to be justified at this juncture. Let there be no mistake—large reductions in available outlays will dictate large reductions in military end strength.

The controllable amounts in the budget are primarily for operations and maintenance—the so-called readiness accounts, and investment programs. Historically, Congress has not supported significant reductions in readiness funding. This leaves only investment programs as an area to consider significant adjustments. There remains a misconception that large outlay savings can be achieved by terminating new weapons systems. Using solid calculations, the Appropriations Committee estimates that, if procurement of the B–2, C–17, and F–15E aircraft, MX and Trident II missiles, DDG–51 destroyer and Trident and SSN–21 submarines were all canceled, this would save $19,048,500,000 in budget authority. However, it would only provide savings of $916,400,000 in outlays in fiscal year 1991. Obviously, a reduction of this magnitude would, in effect, put an end to the modernization of our military forces. It is equally obvious that, if we are to have fewer men under arms, they had better be better armed.

CONCLUSION

If the budget resolution includes a substantial reduction in outlays for defense, the adjustments will necessitate deeper cuts in personnel and operations. It is unlikely that proposed outlay reductions would lead to cuts in the procurement of weapons systems unless extremely large corresponding adjustments were made to the request for budget authority. The Committee does not believe any such adjustment to the President's request for defense spending is warranted in fiscal year 1991.

DISTRICT OF COLUMBIA

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory						
Discretionary	538	540	+2	20	529	549
Subtotal	538	540	+2	20	529	549
Modifications to 1990:						
Supplementals						
Rescissions						
Subtotal						
Total	538	540	+2	20	529	549

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The subcommittee is responsible for all aspects of the budget providing for the operations of the Nation's Capital. The budget includes amounts for the public school system, the courts of the District of Columbia, the District Council, and the various executive agencies of the District government.

The budget also includes various enterprise funds which support such processes as the water and sewers, Convention Center operations, Lottery Board programs, and the Housing Finance Agency. In addition, the District supports its capital borrowing needs through the issuance of debt securities in the municipal bond market.

The District's budget is made up of two components. Federal funds appropriated to the District, a general Federal payment in lieu of taxes, and various specialized amounts for particular purposes or services, as described below. The second, and largest, source of revenue to the District are local tax revenues.

FISCAL YEAR 1991 BUDGET ESTIMATES

President Bush, in his budget message of January 29, 1990, requested Federal funds totaling $519,278,000 in new budget authority and $30,000,000 in prior appropriations for construction of the new prison; and $549,278,000 in outlays. The amount of new authority is $18,749,000 below the sum enacted in the fiscal year 1990 District of Columbia Appropriations Act.

The 1991 estimate includes $430,500,000 for the Federal payment; zero for a lump-sum payment of the water and sewer services provided to the Federal Government; $52,070,000 in retirement funds contributions; $10,000,000 for transitional financing for St. Elizabeths Hospital; and

$26,708,000 in unspecified funds to aid in the District's drug emergency. The funds requested for the drug emergency are $5,000,000 below the amounts included by the Congress for fiscal year 1990 for specific programs in the Metropolitan Police Department, public schools, and drug treatment.

The fiscal year 1990 budget approved by the Congress contained a 1-year test of a procedure whereby the District government is billing Federal departments and agencies for water and sewer services. This procedure will be reviewed by the Committee during consideration of the fiscal year 1991 budget. However, if this requirement returns to a lump-sum appropriation in 1991 it will require an additional $32,938,000 not contained in the President's budget.

The Federal payment.—In last years' views and estimates the Committee notes that the President had not requested an increase in the Federal payment in 3 fiscal years. The President's fiscal year 1991 request continues that position. The Federal payment reached $444,500,000 in fiscal year 1987, 5 years later it stands at $430,500,000. A cut of $14,000,000, or 3.1 percent, in nominal dollars and a loss of 22 percent in real dollars over the period. During the same period the Federal payment fell from a total of 18.3 percent of the District's total operating budget to 12.9 percent proposed for 1991.

This reality coupled with the statutory requirement that the District present a balanced budget has caused District officials to request a local tax increase totaling $177,800,000 (a 6.5-percent increase) to close the gap in District government's proposed budget and expected revenue for fiscal year 1991. In contrast to the decrease in the level of the Federal payment, local tax revenues have increased by 23.4 percent since fiscal year 1987.

The Committee expects that the District government may well request an increase in the Federal payment to compensate for its loss of buying power in recent years. A detailed review of the financial future of the District is being conducted by the D.C. Commission on Budget and Financial Priorities. The Commission, comprised of distinguished citizens of the District, is expected to report its findings during 1990.

ENERGY AND WATER DEVELOPMENT

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory						
Discretionary	18,427	20,325	+1,897	6,718	12,764	19,482
Subtotal	18,427	20,325	+1,897	6,716	12,764	19,482
Modifications to 1990:						
Supplementals						
Rescissions						
Subtotal						
Total	18,427	20,325	+1,897	6,718	12,764	19,482

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Subcommittee on Energy and Water has jurisdiction for appropriation of funds for fiscal year 1991 for the U.S. Army Corps of Engineers Civil Works Program; the Department of the Interior, Bureau of Reclamation water resource development activities; the Department of Energy (except for fossil energy, energy conservation and certain regulatory activities), its energy supply research and development activities including solar and renewables, nuclear fission, magnetic fusion and the basic and general sciences and technology programs, including the national scientific laboratories; the Atomic Energy Defense Activities, including nuclear weapons research, development, testing, and production; the production of special nuclear materials and the disposal of defense nuclear wastes; and the environmental restoration, cleanup, and modernization of the entire nuclear defense and nondefense complex; the Civilian Nuclear Waste Disposal Program; and related independent agencies and commissions including the Appalachian Regional Commission, the Nuclear Regulatory Commission, the Tennessee Valley Authority, and several small river basin commissions.

SUMMARY OF BUDGET REQUEST UNDER CONSIDERATION

[Budget authority in millions of dollars]

Agency	Fiscal year 1990 enacted	Fiscal year 1991 request	Change
Corps of Engineers	3,108	3,322	+214
Bureau of Reclamation	964	915	–48
Department of Energy	13,784	15,615	+1,831
Independent Agencies	571	473	–98
Total	18,427	20,325	+1,898

NOTE: Tables do not agree due to rounding.

FISCAL YEAR 1991 BUDGET ESTIMATES

The fiscal year 1990 Energy and Water Development Appropriations Act provided $18,427,274,000 for programs and activities under the subcommittee's jurisdiction. The fiscal year 1991 request of $20,324,759,000 is an increase of 10.3 percent over the fiscal year 1989 level. Although there are the usual increases and decreases throughout the budget, several significant ones stand out.

The atomic energy defense activities request is $8,592,000,000, a decrease of $1,000,000,000 or 10.9 percent below the fiscal year 1990 level; the general science and research activities request is $1,274,000,000, including funding of $318,000,000 for the Superconducting Super Collider, an increase in the entire appropriation of $175,000,000. It should be pointed out, however, that while atomic energy defense activities reflects a decrease of $1,000,000,000, the budget request includes $2,791,436,000 for a new appropriations account, Environmental Restoration and Waste Management, to address the cleanup and replacement of the aging weapons production complex and other DOE facilities. Nearly all of these cleanup and restoration funds are associated with nuclear defense facilities. The funding request for environmental restoration and cleanup activities is the minimum amount required to address this high priority, sensitive work.

The fiscal year 1991 budget request of the U.S. Army Corps of Engineers is $3,321,600,000 which is $214,000,000 more than that provided in fiscal year 1990. The request for fiscal year 1991 does not include funds for any new water resource studies or new construction projects. The Committee annually receives many request for numerous new studies and construction projects and expects the same pressure on the fiscal 1991 budget. Additionally, the funding request fails to provide adequate follow-on funding for several high priority projects supported by Congress in the past. Failure to continue these projects at an efficient level in fiscal 1991 will require sizable additional resources in future years. An additional $100,000,000 over the budget request will be required to continue construction of these projects in fiscal 1991.

An amount of $915,372,000 is being requested for the Department of the Interior's Bureau of Reclamation water resource development activities in the 17 Western States. The budget includes six new studies, and no funds are requested for new construction starts. The budget fails to provide funding for the Garrison Diversion Unit, North Dakota, and other priority projects, including follow-on funding for several new construction projects included in the 1990 budget. An additional amount of $50,000,000 will be needed in fiscal year 1991 to restore funding for these projects.

The budget request for the Appalachian Regional Commission is $50,000,000 which is $100,000,000 below the amount appropriated for fiscal 1990. The funding level requested for 1991 reduces area development activities by two-thirds and highway programs by more than 70 percent. The Congress has consistently supported much higher levels for ARC and the current level of $150,000,000 is the minimum amount necessary for fiscal year 1991.

The fiscal year 1991 budget request for the Nuclear Regulatory Commission [NRC] is $471,320,000. This is $35,409,000 or 8.1 percent over the level of appropriations for fiscal year 1990. About one-half of the increase is to strengthen NRC safety programs. The other one-half of the increase is for nonprogram costs such as facility rent and salaries and expenses, which for the most part are not controllable. If NRC is to continue to provide strong oversight and regulatory supervision necessary to maintain and improve the Nation's nuclear power industry, some increase will be necessary.

The 1991 budget request for the Tennessee Valley Authority [TVA] totals $91,302,000, a 23.4-percent reduction below the 1990 appropriation of $120,000,000. The budget request continues to support, but at reduced levels, TVA's natural resource, fertilizer development, and water quality programs. However, as has been the case in the past several years, no funding is requested for economic or community development, which the Congress has consistently supported.

The current funding level of $120,000,000 is the minimum amount needed to allow TVA to continue it's high priority work in fiscal 1991. At the reduced level of funding, TVA's work to assess and improve the water quality in their reservoirs will be severely impacted and the problem will continue to worsen. In addition, high priority activities related to environmental education, reservoir release improvements, nonpoint source pollution, and programs at Land Between The Lakes will be severely cut back or eliminated. Finally, TVA's outstanding work in fertilizer research and development will be reduced and critically impacted.

In addition to these major increases and decreases in the budget, the following comments concern potential additional increases and/or budgetary problems in four major areas identified to date which the Committee can be expected to address:

One, upgrading and modernizing DOE's nuclear weapons production complex and multipurpose laboratories, including funding for the new production reactor capacity; and

Two, disposing of radioactive and hazardous wastes, and the environmental cleanup of DOE's weapons production complex and multipurpose laboratories.

The requirements for health, safety, and modernization improvements at the Department of Energy nuclear production and processing facilities have increased in light of the highly publicized current events of the past months. It is anticipated that further developments during the course of the coming year will necessitate even further budgetary resources beyond what has been approved by Congress for fiscal year 1990. Particularly disturbing are that: One, the administration has not included in its fiscal year 1990 request any contingency planning for events that many experts believe are to take place given our recent history; two, that the administration has not presented a sustainable program in the out-years to complete safety and modernization improvements at many of the most critical facilities; and three, that the Department has failed to maintain, in either its current fiscal year request and in the out-years, an appropriate balance between the needs for upgrading and modernizing existing facilities and critical cleanup and environmental restoration at those facilities. All of these may require the Congress to dedicate substantial financial resources beyond what currently has been proposed. It is estimated that an additional $100,000,000 may be required in fiscal year 1991 above the budget to take care of needs in the multipurpose laboratories.

Three, the appropriate level of investment in long-term civilian research and development for international competitiveness and technological leadership.

The science and technology programs carried out in the Department of Energy's national laboratories and university-supported research programs are increasingly critical to the Nation's national security and economic health. Many of the basic sciences and general sciences programs of the Department are on the cutting edge for international competitiveness and technological leadership and in striving for knowledge, innovation, and growth which are basic to our Nation's future. Additional resources must be committed for these important DOE science programs for the scientific and technological advances that will enable the Nation to compete.

For energy supply R&D, the proposed fiscal year 1991 budget does not contain funding to continue the Fast Flux Test Facility [FFTF] at Hanford. The administration proposes the shutdown of this, the most modern of the Government's reactors on the grounds that no mission has been established for its continued operations. Approximately $100,000,000 will be required to maintain its operation. An additional $50,000,000 will be required for the Nation's other fission and fusion programs in 1991 in order to maintain a full research and development effort to support the Nation's nuclear option for the mid to late 1990's and early next century. A number of science and technology initiatives have received additional funding in the President's budget, but some of these research efforts which include global warming, superconductivity, human genome, biomedical research and development, materials and chemical sciences, energy biosciences, and other basic energy science programs will require an additional $75,000,000 to fully maintain the level of effort required for fiscal year 1991.

The proposed budget for solar and renewable energy research programs increase from $139,200,000 to $176,900,000 in fiscal year 1991. The Committee has received many requests from members of Congress to increase the renewal energy programs above the budget request. An additional amount of $25,000,000 can be efficiently and effectively used in these important energy programs.

Four, the proposal for repayment reform legislation effecting the Power Marketing Administrations will be a contentious issue in the fiscal year 1991 budget program although not directly effecting the level of appropriations requested. While this Committee cannot predict the ultimate enactment, or lack thereof, of repayment reform legislation for the Power Marketing Administrations, it should be noted that because of the long-term nature of power sales and purchases, revenue increases to the Treasury even in the next fiscal year appear highly unlikely. Moreover, subsequent regional rate increases could adversely affect local industries precipitating losses in Federal tax revenue and an increase in unemployment payments, thereby mitigating the intended benefits of repayment reform.

Foreign Operations, Export Financing, and Related Programs

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	805	675	−129	4	671	675
Discretionary	13,814	14,643	+830	8,344	5,411	13,755
Subtotal	14,618	15,319	+700	8,348	6,083	14,430
Modifications to 1990:						
Supplementals	570	....	−570	....	....	....
Rescissions	....	....	....	....	....	....
Subtotal	570	....	−570	....	....	....
Total	15,188	15,319	+130	8,348	6,083	14,430

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The programs funded by the Foreign Operations, Export Financing, and Related Programs appropriation encompass the bulk of U.S. foreign assistance programs, bilateral and multilateral, economic, military, humanitarian, and export assistance. Since the dramatic events in Eastern Europe, a whole new range of demands to assist the emerging democracies has been placed on United States foreign assistance programs.

It is no longer possible to ignore the sharp disparities emerging between the goals of American foreign policy and the foreign assistance resources to support those goals. Foreign assistance funding continues at nearly static levels (after years of steep decline), while demands on foreign assistance programs to meet needs to which both Congress and the administration assign high priority continue to grow substantially. The point is fast approaching—if indeed it has not already arrived—when fundamental decisions must be made about the role U.S. foreign assistance is to play in the dramatically changing world order which is replacing the verities of the cold war era.

The subcommittee believes that the administration's foreign assistance request for fiscal 1991 once again fails to respond to the disparities between goals and resources. The fiscal 1991 foreign assistance request is largely an extension of last year's request, without adequate recognition of or provision for continually expanding demands. Unless Congress itself makes some basic decisions either to increase funding available for foreign assistance or to cut back on the demands made on foreign assistance, the subcommittee will find itself again in precisely the same predicament as last year: major funding decisions will be made not on the basis of U.S. foreign policy needs and goals, but on a need to juggle programs to stay within levels allocated to it. U.S. ability to provide leadership in critical world challenges such as supporting the spread of democracy, reversing further degradation of the international environment, curbing exploding population growth, stimulating private enterprise and global economic development, alleviation of Third World poverty, and defense of human rights will be undermined.

FISCAL YEAR 1991 BUDGET ESTIMATES

President Bush's fiscal year 1991 foreign assistance budget request of $15,318,826,537 in budget authority is a 4.6-percent increase, or $700,334,763, over the amounts appropriated for fiscal 1990. After accounting for inflation, this request represents one-half of 1 percent real increase in total foreign assistance programs under the jurisdiction of the Foreign Operations Subcommittee. Moreover, the President's request is understated by $270,000,000 in budget authority. This is the amount CBO will score against foreign operations for the foreign military sales interest rate buydown, which was delayed to fiscal 1991. However, the President failed to account for this amount in his budget request.

The President's budget request poses serious funding dilemmas for the subcommittee. Within one-half of 1 percent real increase, the subcommittee is asked to find funds for: A $267,000,000 increase for the multilateral development banks, an 18-percent increase, of which over $150,000,000 is for arrears to the multilateral development banks, and $103,000,000 for an increase in the U.S. contribution to the International Development Association; $152,781,500 additional funds for the "Economic Support Fund" account, a 4.6-percent increase, primarily to make up for fiscal 1990 shortfalls in ESF assistance to counties which could not be funded because of inadequate funding to meet all the priorities; and a $192,600,000 increase, or 3.9 percent growth, in military assistance, again primarily to restore fiscal 1990 assistance levels to key countries which had to be cut because of lack of funding.

The only funding categories cut in the President's budget are bilateral development assistance, reduced by $19,300,000 or 1.1 percent, and export financing, reduced by $112,400,000 or 18.4 percent. Both these categories of assistance have been strongly supported by the subcommittee in the past, and it is highly likely the subcommittee will recommend increases in both above the request level.

Regarding the emerging democracies of Eastern Europe, including East Germany, Czechoslovakia, Romania, Bulgaria, and Yugoslavia, as well as Poland and Hungary, the administration requests $300,000,000. This compares with $532,000,000 for Poland and Hungary in fiscal 1990, of which some $290,000,000 was in direct assistance and the remainder in loan guarantees and other forms of indirect assistance. The subcommittee expects Congress will again want to provide assistance to the newly emerging democracies at a level substantially above that requested by the administration. Legislation has already been introduced which would increase the authorized level for Eastern Europe by $511,000,000. Additional assistance beyond the $300,000,000 requested by the President will either have to come from cuts in other programs requested by the President, or from transfers from other parts of the Federal budget.

The President's request for Eastern Europe also does not take into account the need for a major United States contribution to the new European Bank for Reconstruction and Development of Eastern Europe, now being formed, should the United States decide to participate. There have been estimates that the U.S. contribution to the EBRD will be in the range of $200,000,000 to $250,000,000. If that contribution is to come from the $300,000,000 request, that will leave only $50,000,000 for bilateral U.S. assistance to the new democracies—which Congress will in all likelihood find far too low.

The President's request of $500,000,000 for the Exim Bank Direct Loan Program will place an additional pressure on the subcommittee. Last year, the Committee approved $615,000,000 for this program, and many Members spoke strongly in support of more. Baseline for the Direct Loan Program is $636,800,000. The subcommittee almost certainly will have to find substantially more than the request level for Exim Bank.

Last year, the subcommittee was only able to prepare a foreign operations appropriation that met the minimum objectives of the administration and the Congress by a mixture of damaging cuts in important programs and by transfers from the defense budget. The consequence was damage to the U.S. ability to provide leadership on critical world problems. The subcommittee welcomes the debate on the scope, purposes, and level of U.S. foreign assistance which recent events have stimulated. Unless Congress and the administration reevaluate priorities and reconsider the funding needed to support those priorities, the United States will not be unable to provide the kind of leadership the American people, and this country's allies and friends expect.

INTERIOR AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	943	534	–410	92	435	526
Discretionary	10,758	10,115	–643	3,772	6,961	10,733
Subtotal	11,701	10,648	–1,053	3,863	7,396	11,259
Modifications to 1990:						
Supplementals						
Rescissions						
Subtotal						
Total	11,701	10,648	–1,053	3,863	7,396	11,259

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The jurisdiction of the Interior and Related Agencies Subcommittee extends to the vast holdings of public lands in the country, particularly in the West. The Interior Department is responsible for administering 355 units of the National Park System covering 79,800,000 acres, 472 refuges of the Fish and Wildlife Service, and a total of over 90,000,000 acres, 260,000,000 acres managed by the Bureau of Land Management, 52,000,000 acres of Indian trust lands, and approximately 865,000 Indians living on or adjacent to reservations. In addition, the subcommittee's jurisdiction extends to the Forest Service, which manages 191,000,000 acres of public land in 44 States, Puerto Rico, and the Virgin Islands. These public lands encompass 156 National Forests and 19 National Grasslands.

The jurisdiction of the subcommittee also extends to the nondefense, nonnuclear programs of the Department of Energy. These encompass fossil energy research and development, including clean coal technology. Other energy programs include conservation, the strategic and naval petroleum reserves, and the energy information dissemination activities of the Department of Energy.

The Indian Health Service administers and delivers comprehensive health care to American Indians and Alaska Natives through a system of 45 hospitals, 65 health centers, and 267 smaller health stations. Additional care is offered by tribal contractors at 6 hospitals, 60 health centers, and 262 smaller health stations. Further jurisdictional responsibility of the subcommittee extends to other related Indian programs, such as education, as well as the Federal arts and humanities programs.

FISCAL YEAR 1991 BUDGET ESTIMATES

The following narratives outline the subcommittee's major concerns with the fiscal year 1991 budget requests from the Bush administration. Where appropriate, the subcommittee has also commented on the fiscal year 1991 baseline, as scored by CBO. Specific items are listed below, by account.

Bureau of Land Management

Fire.—Recent years have been among the most severe fire years in history. As a result, the land managing agencies under the jurisdiction of the Interior Subcommittee have been faced with tremendously increased costs for fire. The fiscal year 1991 President's budget requests grossly inadequate funding for Federal wildland firefighting resulting in a necessary increase of $150,000,000 to address projected fiscal year 1991 fire expenses and repay fiscal year 1990 fire expenses.

Fish and Wildlife Service

Construction and anadromous fish.—As in prior years, the budget request ignores the serious backlog in hatchery reconstruction needs to meet treaty and other mandatory fish production requirements. An estimated $27,000,000 is necessary for the subcommittee to address these requirements, as well as the construction of new visitor centers associated with the creation of new wildlife refuges and increased visitation at certain existing refuges. This amount is $10,000,000 below the CBO baseline.

National Park Service

Construction.—The President's budget request severely underfunds necessary replacement of outdated facilities and construction of essential visitor services at newly established park units. These expenditures are unquestionably investments in the future—deferring these construction needs in the short term saves the Federal Government no money in the long run. An increase of $90,000,000 to the budget request is necessary. This amount is $85,000,000 below the CBO baseline.

U.S. Geological Survey

The Survey's budget proposals include reductions in water-related programs that will have to be restored. The increases, totaling $14,000,000, would bring the total even with the CBO baseline for this agency.

Bureau of Mines

The fiscal year 1991 budget submission reduces funding for mine health and safety research. Additional funding of $34,000,000 is necessary to address these needs at a level which is still $9,000,000 below the CBO baseline.

Office of Surface Mining Reclamation and Enforcement

The President's fiscal year 1991 budget proposes a sharp reduction in the funds appropriated from the abandoned mine land [AML] trust fund for the reclamation of serious mine land hazards. This money is collected into a trust fund from coal production taxes and is to be used specifically for mine land reclamation activities. These funds earn no interest while sitting in the Treasury unused. States have every reason to expect their returns from the trust fund in a prompt manner when such funds can be usefully expended. In recent years, States have demonstrated improvement in their ability to contract for mine reclamation construction work, as well as in their ability to obligate the trust funds distributed to them. An additional $51,000,000 is required to restore the CBO baseline level for the AML trust fund.

Bureau of Indian Affairs

The fiscal year 1991 budget request for the Bureau of Indian Affairs [BIA] is approximately $263,000,000 below the CBO baseline for fiscal year 1991. Roughly one-half of this decrease ($147,000,000) is attributable to one-time payments in fiscal year 1990 for various land and water settlement between the Federal Government and various tribes. Funding of $52,000,000 is requested in the fiscal year 1991 budget to fulfill further these commitments.

The fiscal year 1991 budget request for BIA construction is $64,500,000 below the CBO baseline. The request eliminates all funding for irrigation project construction. For BIA operations, the fiscal year 1991 budget request is $57,000,000 below the fiscal year 1991 CBO baseline. Much of this decrease is attributable to one-time funding in fiscal year 1990 of $54,000,000 for self-determination contract conversion.

The President's budget for Indian programs recommends increases for education, basic tribal services, and trust responsibilities. The budget does not fund fully the authorization for tribally controlled community colleges. An increase of approximately $18,000,000 would be necessary to fund these colleges at the authorized level. Funding of $7,700,000 above the budget request would be necessary to prevent programmatic erosion of the Bureau's operating base due to Federal pay increases. In fiscal year 1989, 55 percent of Bureau employees were in grades 7 and below. This represents an increase of 7 percent in 7 years.

Forest Service

Research.—The fiscal year 1991 budget request for research is $5,000,000 below the fiscal year 1991 CBO baseline. In addition, the President's budget recommends an increase of $15,300,000 for priority research programs on global change, water quality, threatened and endangered species, rural forest economics, southern forest productivity, and catastrophic forest fires. These increases, however, are funded largely by reducing the ongoing basic research at many locations, and proposing to merge and terminate 17 different research work units.

State and private forestry.—The fiscal year 1991 budget request is $52,000,000 below the 1991 CBO baseline. The President's budget request eliminates nearly all funding for cooperative pest management, fire protection, and forest management programs for non-Federal lands. The President's budget does not include funds to assist reforestation efforts in the South, primarily South Carolina and Puerto Rico, pursuant to Hurricane Hugo. Estimated cost to accomplish reforestation of State and private lands in these areas is $120,000,000.

National Forest System.—The fiscal year 1991 budget request for the National Forest System totals $1,200,000,000. This is approximately level with the fiscal year 1991 CBO baseline, and recommends a significant shift in resources toward noncommodity uses. The timber program recommended in the budget request is reduced 6 percent below the fiscal year 1990 enacted level.

Construction.—The fiscal year 1991 budget request is $10,000,000 below the fiscal year 1991 CBO baseline. The budget assumes, and the baseline does not reflect, enactment of new fee legislation to assist with maintenance and repair of recreation facilities. Such fee legislation has been proposed in the past, and not enacted. In order to accomplish the work assumed by the fee proposal, the subcommittee's requirements increase by $7,500,000. For other facilities construction, the budget request is $13,000,000 below the fiscal year 1990 enacted level. The budget requests $181,600,000 for road construction, which is below the level requested in fiscal year 1990.

Other issues.—As part of the America the Beautiful initiative, the President has requested $175,000,000 for a major tree-planting initiative to plant 1,000,000,000 new trees annually throughout the country. This estimate is not reflected in the CBO baseline.

Legislation has passed the House (H.R. 987) and is pending in the Senate (S. 346) which would repeal the permanent indefinite appropriation contained in the Alaska National Interest Lands Conservation Act (16 U.S.C. 539d(a)) and include the Tongass National Forest in the regular timber program subject to annual appropriation. The President's budget assumes funding for the Tongass in fiscal year 1991 from the Tongass timber supply fund permanent indefinite appropriation account. Assuming enactment of Tongass reform legislation, the subcommittee will require an additional $40,000,000 not reflected in the CBO baseline, if the permanent indefinite appropriation is eliminated effective in fiscal year 1991.

Department of Energy

Clean coal technology.—The budget proposes to reduce advance appropriations of budget authority for the Clean Coal Program by $500,000,000 in fiscal year 1991. While it will be possible to shift some fiscal year 1991 budget authority into future years without adversely affecting this program, it is recommended that no more than $400,000,000 be shifted to assure timely completion of clean coal awards under the fourth solicitation.

Fossil energy research and development.—An increase of $216,000,000 would restore the fiscal year 1991 President's request to an acceptable level. This amount is still $14,000,000 below the CBO baseline. The administration has consistently proposed very low budgets for energy research funded in the Interior bill over the last 9 years. The increased funding above the request for fossil energy research and development would maintain the necessary research and development at the pilot and smaller scale levels, which is necessary for the development of large-scale cost-shared clean coal technology demonstrations and the like.

Energy conservation.—The administration request includes sharply reduced funding for State energy conservation grants, such as low-income weatherization, schools and hospitals, et cetera. Maintenance of the fiscal year 1990 level for these programs alone would require an increase of $187,000,000. The request for energy conservation research was reduced by 9 percent compared to the current level. At a time of heightened concern about global warming, and when DOE's own energy projections indicate that the United States will again be importing 50 percent of its oil by the early 1990's and 10,200,000 barrels per day by the year 2000, the Nation must not fail to make prudent investments which are expected to yield substantial economic returns in the not too distant future.

Strategic petroleum reserve/oil acquisition.—The fiscal year 1991 budget request is based on an oil fill rate of only 59,000 barrels per day. This is below the legal level of 75,000 barrels per day, which if met, would cost an additional $200,000,000 above the budget request.

Indian Health Service

The President's fiscal year 1991 budget proposes to split the health services appropriation between Federal and tribal programs. In recent years, the Indian health budget has been unable to keep pace with inflationary increases. Current estimates are that IHS facilities are staffed at only 70 percent of their designated staffing capacity. The President's budget assumes an average annual increase of 5.4 percent in the cost of providing health care, which is approximately 3 percent below the CBO assumption. In addition, the health care inflation rate does not consider that the client population served by the Indian Health Service has been growing at an average rate of 3.4 percent annually.

The budget proposes no funding for the Indian health care improvement fund, which was funded at a level of $10,000,000 in fiscal year 1990 and is authorized at $19,000,000 for fiscal year 1991. Preliminary studies by the Indian Health Service indicate that to provide each Indian tribe with a level of funding that represents approximately 60 percent of their health care funding needs would require an additional $40,000,000. IHS estimates that to fund 100 percent of need would require $530,000,000.

The budget assumes $40,000,000 in fiscal year 1991 collections by IHS from Medicaid and Medicare for services provided to Medicaid and Medicare eligible Indian patients in IHS facilities. A similar assumption was made with respect to these collections for fiscal year 1990, but actual collections have resulted in a revised projection of $8,000,000. This shortfall represents a further drain on the Indian health care system.

As with prior budget requests, facility needs are largely unfunded. The fiscal year 1991 budget request is $58,000,000 below the CBO baseline. Based on the IHS 5-year facility plan, an estimated $103,000,000 can be obligated for facilities that are either partially constructed, or have been planned and designed, and are ready for construction. This would require $30,000,000 above the CBO baseline. The baseline assumes a level of effort with respect to sanitation facilities that is consistent with prior years. With a sanitation backlog in excess of $670,000,000, it would take IHS over 20 years to address these needs in Indian country.

Office of Navajo and Hopi Indian Relocation

The fiscal year 1991 budget request is $6,500,000 below the fiscal year 1991 CBO baseline. The budget request does not include an estimated $7,200,000 that will be needed in fiscal year 1991 in order to provide for road development within the new lands. These infrastructure requirements must be addressed if the relocation process is to proceed as directed by Congress in prior years. Relocatees cannot settle into newly constructed homes unless the necessary roads are built.

LABOR-HHS-EDUCATION AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	112,271	122,853	+10,582	3,566	118,410	121,975
Discretionary	43,853	45,690	+1,837	28,479	23,561	52,040
Subtotal	156,123	168,543	+12,419	32,044	141,971	174,015
Modifications to 1990						
Supplementals						
Rescissions						
Subtotal						
Total	156,123	168,543	+12,419	32,044	141,971	174,015

NOTE: In all tables, detail may not add to totals due to rounding.

FISCAL YEAR 1991 BUDGET ESTIMATES

President Bush's fiscal year 1991 request for programs funded under the jurisdiction of the Labor-HHS-Education and Related Agencies Subcommittee is $168,543,000,000 in budget authority and $174,015,000,000 in outlays. However, CBO has reestimated the outlay impact of the President's budget to be $174,421,000,000, an increase of $406,000,000 over the OMB estimate.

For discretionary programs, President Bush's request totals $45,690,000,000 in budget authority, a net increase of $1,837,000,000 over fiscal year 1990. Within this total, more than $1,700,000,000 in reductions and program terminations are proposed, and about $3,500,000,000 of major program increases are proposed. The Bush budget is $690,000,000 below the current services baseline for budget authority and $331,000,000 below the current services baseline for outlays.

For entitlement programs, the Bush budget totals $122,853,000,000, an increase of $10,582,000,000 over fiscal year 1990 budget authority. If legislative changes recommended by President Bush are enacted, appropriated entitlement savings of nearly $700,000,000 would be achieved in fiscal year 1991, primarily through cuts in foster care and Medicare.

RESTORATIONS OF MAJOR CUTBACKS

Virtually all of the $1,700,000,000 in budget authority cutbacks proposed in the President's budget have been rejected in previous years. Examples include the proposal to abolish the community services block grant, which funds a nationwide network of 900 antipoverty agencies (−$355,000,000); job training and employment programs (−$120,000,000); health professions education, which trains nurses and other primary care health professionals

(–$180,000,000); low-income home energy assistance (–$343,000,000); alcohol, drug abuse, and mental health (–$95,000,000); impact aid, "b" payments (–$98,000,000); new Federal capital contributions for Perkins loans (–$157,000,000); State student incentive grants (–$59,000,000); libraries (–$101,000,000); and AIDS drugs and home health care for AIDS patients (–$51,000,000). The Committee, therefore, faces the initial pressure of restoring approximately $1,700,000,000 in budget authority cutbacks.

MAJOR INCREASES PROPOSED BY THE BUSH REQUEST

For programs within the jurisdiction of the subcommittee, President Bush's request includes a number of significant increases over the fiscal year 1990 levels. These increases total approximately $3,500,000,000 and create a major expectation that these increases will be funded.

For the Department of Labor, the administration recommends increases in excess of $100,000,000 for a variety of programs, including the Job Corps, occupational safety and health, and pension plan monitoring. A discretionary trust fund increase of $229,000,000 in outlays is also requested for local unemployment insurance service offices. In addition, an increase of $317,000,000 is proposed for later transmittal to augment youth job training programs. Proposed cuts and eliminations, exceeding $200,000,000, include: the Employment Service; targeted jobs tax credits; worker readjustment assistance; and community service employment for older Americans.

For the Department of Health and Human Services, the administration has requested discretionary increases of approximately $1,700,000,000 over the level made available in fiscal year 1990. These increases include a $500,000,000 request for the Head Start Program and $109,000,000 request for the various AIDS programs within the Public Health Service. The President has requested a $330,000,000 increase for the Social Security Administration primarily to upgrade computers and Social Security operations. The Health Care Financing Administration's Medicare contractor request would increase by $130,000,000 primarily for implementation of the new workload requirements resulting from last year's reconciliation legislation. The National Institutes of Health and the Alcohol, Drug Abuse, and Mental Health Administration requested increases for research totaling approximately $400,000,000. The President has requested a $55,000,000 increase for the National Health Service Corps to increase disadvantaged and minority health profession students. Additionally, not included in the $1,700,000,000 of requested increases is the request by the President to change substantive law for the State legalization impact assistance program which would result in a reduction of $537,000,000 in fiscal year 1991 program costs. If the subcommittee does not implement this request, the total amount required for funding the Department of Health and Human Services programs would increase by $537,000,000.

For the Department of Education, the administration has requested major increases which total approximately $1,700,000,000. These include a $472,500,000, or 10-percent increase for the Pell grant program; a $190,700,000, or 4-percent increase for the chapter I program; and $377,600,000 for new programs requested by the President. These new programs include the President's Merit School Program (+$225,000,000) and the President's proposal for magnet schools of excellence (+$100,000,000). Additional increases include $54,000,000 for drug-free schools, $94,000,000 for math and science education, $82,000,000 for education of the handicapped, $66,000,000 for higher education, $83,000,000 for research, and

$45,000,000 for dropout prevention demonstrations. In order to address the adult literacy problem, the President has also proposed an increase of $46,000,000 for additional adult education spending.

MAJOR FUNDING PRESSURES

Over and above the pressures created by the Bush budget initiatives as well as the pressure resulting from the need to restore most major cutbacks, there are a number of additional major pressures.

For the Department of Labor, the budget request for worker readjustment assistance is $580,000,000 below the authorized level, and a cut of $64,000,000 below the current level. To maintain the current number of community service jobs for older Americans at the new minimum wage, an increase of $40,000,000 over the request is needed. Legislation already reported out by the Human Resources Committee to expand youth job training programs and target the most severely disadvantaged would require an increase of at least $300,000,000. The Job Corps faces extensive additional costs for renovation and relocation of facilities, higher operating expenses, and possible expansion to new sites.

For the Department of Health and Human Services, the budget request for Medicare contractors underestimates the growth in Medicare claims, resulting in a shortfall of approximately $100,000,000 in the Medicare contractor budget. Furthermore, a budget shortfall of $320,000,000 will exist if proposed legislation to collect user fees is not enacted to offset survey and certification costs. Additional funding would be needed to partially restore prior year staffing cutbacks at the Social Security Administration, to strengthen local office operations and telephone service. The newly authorized level for maternal and child health is $686,000,000 and the administration request for the MCH block grant is $108,000,000 below the authorized level. For all of the drug abuse prevention programs within the jurisdiction of the subcommittee the administration has requested approximately $2,900,000,000, or a 10-percent increase over last year. The increases provided for these programs last year amounted to a 54-percent increase and in order to increase the drug demand reduction programs, those included within the jurisdiction of the subcommittee, to 50 percent of the total Federal drug effort, would require in excess of an additional $2,000,000,000. The administration's request for the National Institutes of Health is $500,000,000 below the current services level as estimated by the NIH, and $100,000,000 less than the amount needed to meet the biomedical inflation rate. These amounts do not include expansions for high-priority research initiatives such as the additional $170,000,000 needed to fund the most promising scientific opportunities for Alzheimer's disease. The subcommittee has already received a number of requests to fund extramural construction programs which would add at least $50,000,000 of additional funding pressure. Homeless programs, as requested by the administration, are $15,000,000 below last year's level and pressures will continue to provide more adequate funding for these programs as well. The preventive health services block grant within the Centers for Disease Control has been frozen for 10 years at a level of approximately $83,000,000. This is $217,000,000 below the level included in an authorization bill recently introduced to meet the health objectives for the year 2000. To maintain the rate of increase typically provided by the subcommittee for the immunization program and to restore the elimination of the vaccine stockpile funding would require an additional $20,000,000. The Medical Treatment Effectiveness Program is requested at a level which represents a

$33,000,000 reduction below the fully authorized level. Harsh winter weather, particularly in the Northeast and the Midwest, has led to calls for increased funding for the low-income home energy assistance program. Finally, no increases have been requested for programs to deal with addicted and HIV infected infants, homeless youth, programs for the aging, or the Senate-passed child care bill which authorized funding at $1,750,000,000.

For the Department of Education the funding pressures are both specific and general. The poor progress made by the Nation in meeting the challenges of both the "A Nation at Risk" report and the recent national goals for education announced by the President and the Governors have created very significant pressures for increased funding for education. The education community in January called for a doubling of the education budget. It is also estimated that just to fully fund currently authorized programs would add over $15,000,000,000. The Senate has passed a number of authorizing bills intended to address problems associated with poor performance by elementary and secondary schools in this country. These include, the Literacy Act which increases authorizations by a minimum of $300,000,000, the Education Excellence Act which increases authorizations by at least $175,000,000, and the Excellence in Math Science and Engineering Education Act which increases authorizations by about an additional $125,000,000. The Senate is expected to act soon on the Vocational Education Act amendments which will increase authorizations for several programs by at least $500,000,000. The administration's request for the Pell grant program assumes a freeze in the maximum grant awards at $2,300. This maximum award level has been frozen since fiscal year 1989 and pressures will exist to increase the level in fiscal year 1991. To raise the maximum award level by $100 would cost an additional $250,000,000.

LEGISLATIVE BRANCH

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	64	72	+8		72	72
Discretionary	1,932	2,351	+419	195	2,096	2,291
Subtotal	1,997	2,423	+427	195	2,168	2,363
Modifications to 1990						
Supplementals						
Rescissions						
Subtotal						
Total	1,997	2,423	+427	195	2,168	2,363

NOTE. In all tables, detail may not add to totals due to rounding.

OVERVIEW

The jurisdiction of the Subcommittee on the Legislative Branch encompasses the organizational infrastructure of the Senate and the House of Representatives and an assortment of supporting and related agencies. Under the time-honored traditions of intercameral comity, of course, both Houses refrain from passing judgment on the funding and operation of the institutions specific to the other.

This means that the operational jurisdiction of the Senate Subcommittee on the Legislative Branch effectively excludes organizations and activities peculiar to the other body. The subcommittee's review thus centers on specifically Senate entities as well as certain joint congressional endeavors, such as the Joint Economic Committee and the Congressional Budget Office, and related organizations like the General Accounting Office and the Library of Congress. The subcommittee is, of course, nonetheless accountable for meeting the overall funding constraints imposed in congressional budget resolutions, including amounts provided for House items.

FISCAL YEAR 1991 BUDGET ESTIMATES

President's request: Totals.—The total request for the bill (including certain scorekeeping adjustments) is $2,423,188,000 in budget authority [BA] and $2,343,248,000 in outlays [BO] (CBO estimates). This represents an increase of approximately $427,000,000 in BA over the enacted level for fiscal 1990. The increase over the baseline is approximately $284,000,000 in BA and $241,000,000 in outlays. In addition, the Committee anticipates on the order of $6,000,000 in budget amendments.

The Committee believes that the amount contained in the budget would be adequate to support effective performance of legislative branch agencies, with the usual caveat regarding the enactment of legislation adding significant new or expanded programs or activities. It should be noted that the baseline estimate for the bill exceeds the enacted level by $135,000,000 in BA. For example, $72,000,000 of the total increase requested by the support agencies (for example, the Library of Congress and GAO) is for mandatory and price level changes. At the same time, the Committee is seriously concerned about the number and magnitude of the increases above baseline proposed in the budget for legislative branch agencies and will undertake to reduce the requested amounts to levels more in keeping with the need for fiscal restraint throughout the Government.

Major Increases.—Major increases proposed in the budget include: $38,580,800 for the Senate; $143,642,500 for the House of Representatives; $90,085,000 for the Architect of the Capitol; $59,443,000 (including $6,600,000 in receipts) for the Library of Congress; and $75,066,000 for the General Accounting Office.

FISCAL YEAR 1990 SUPPLEMENTALS

The budget contains no program supplementals within the subcommittee's jurisdiction for fiscal 1990.

MILITARY CONSTRUCTION

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory						
Discretionary	8,494	9,126	+632	5,652	3,321	8,973
Subtotal	8,494	9,125	+632	5,652	3,321	8,973
Modifications to 1990:						
Supplementals	−47		+47	NA		
Rescissions						
Subtotal	−47		+47	NA		
Total	8,447	9,126	+679	5,652	3,321	8,973

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Military Construction appropriations bill provides funding for major construction at military installations worldwide as well as construction and operations of military family housing. The bill also provides funding for the "Base closure" account.

The fiscal year 1991 request for military construction includes funding for almost 800 projects at more than 500 military bases worldwide. The request also seeks funding for the operation and maintenance of 422,000 military family housing units. In addition, the request includes funds to continue implementation of the base closures and realignments approved during the last session of Congress.

The budget requests a total of $9,125,978,000 in new budget authority, $632,215,000 over the enacted fiscal year 1990 level. The administration's budget request would provide a 3-percent real increase for the Military Construction bill.

The fiscal year 1991 request seeks an 83-percent increase over last year's appropriation for the "Base closure" account. Funding for project construction at specific locations overseas is requested to increase more than 22 percent. Funding for the Air Force is increased 12 percent and Defense Agencies, 46 percent.

The request also includes a 71-percent reduction for the "Army National Guard" and "Air National Guard" accounts, the only significant reductions from last year's enacted levels.

Because of the need to reduce defense spending and the Federal deficit, the Committee recommends a net reduction of at least $200,000,000 in budget authority from the administration request. The Committee believes that the highest priority military construction needs can be met, in part, by reducing funding for the Active Services and Defense Agencies, especially for overseas projects, while increasing investments for the more cost-effective Guard and Reserve component.

TRANSPORTATION AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	473	489	+17	50	444	494
Discretionary	12,584	11,389	−1,195	18,989	9,209	28,198
Subtotal	13,056	11,878	−1,178	19,039	9,654	28,692
Modifications to 1990:						
Supplementals						
Rescissions						
Subtotal						
Total	13,056	11,878	−1,178	19,039	9,654	28,692

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Subcommittee on Transportation provides funding for all the organizations included in the Department of Transportation, except for the Maritime Administration. In addition, the subcommittee has jurisdiction over a number of related agencies including the Interstate Commerce Commission, the National Transportation Safety Board, the Panama Canal Commission, and the Washington Metropolitan Area Transit Authority.

In fiscal year 1990, major funding was provided to the Federal Aviation Administration, the U.S. Coast Guard, the Urban Mass Transportation Administration, the Federal Highway Administration, the National Highway Traffic Safety Administration, the Federal Railroad Administration, and the National Railroad Passenger Corporation (Amtrak).

In addition, the Defense Subcommittee provided the Coast Guard additional resources of $300,000,000 for operations ($160,000,000 in cash and $140,000,000 through in-kind supplies) and provided another $413,000,000 for the "Acquisition, construction, and improvements" account for purchase of 1 polar icebreaker and 12 patrol boats. However, the CBO baseline excludes these funds. If these amounts were included in the baseline, budget authority would be higher by $740,000,000 and outlays would be increased by approximately $330,000,000.

FISCAL YEAR 1991 BUDGET ESTIMATES

The Bush budget proposal for the Transportation Subcommittee is a reduction of the fiscal year 1990 program level (budget authority and obligation ceilings) of approximately $1,300,000,000. The budget proposed by the administration results in new discretionary outlays of $9,200,000,000 as estimated by OMB and $9,600,000,000 as estimated by CBO.

Total outlays for the subcommittee under the administration proposal are estimated at $28,400,000,000 by CBO and $28,700,000,000 by OMB.

DISCRETIONARY SPENDING

The subcommittee has serious concerns about four aspects of the administration request and its spending assumptions for fiscal year 1991. They are:

First, significant funding cuts are proposed in major, fast-spending, program areas which the Committee has traditionally fully restored or increased to levels at or above the baseline. Merely restoring proposed cuts to the baseline in the mass transit area and Amtrak will require an additional $1,500,000,000 above the administration's request.

Second, the administration expects that all Coast Guard resources for fiscal year 1991 will be provided through the Transportation appropriations bill. Financing the full fiscal year 1991 request for the fast-spending "Operating expenses" account in the Coast Guard will require $2,391,000,000, $481,000,000 or 25.2 percent more than the comparable level provided in the Fiscal Year 1990 Transportation Appropriations Act.

Third, new requirements are not reflected in the administration's budget request. The major oilspill legislation currently in conference will result in numerous new and costly requirements for the Coast Guard, perhaps as soon as the last half of fiscal year 1990. There is, however, no budget request for these activities. While a supplemental request may be forwarded to the Committee at a later time, the administration is not likely to request the full level of funding anticipated and authorized by the Congress (roughly $150,000,000 over the next 3 years).

Fourth, funding assumptions regarding the Nation's infrastructure needs are inadequate and will only further delay necessary capital investment. The Committee, due to budget constraints, has in the recent past had to limit spending in a number of capital/infrastructure areas. The Committee will attempt this year to restore previous years' shortfalls and adequately address infrastructure needs by increasing the obligation ceilings for the "Federal-aid highway" account and the "Grants-in-aid to airports" account. Also, previously deferred capital spending for Amtrak will be addressed. This will increase the subcommittee's discretionary outlays in fiscal year 1991 by $700,000,000.

MAJOR INCREASES PROPOSED BY THE ADMINISTRATION

The increases requested in the administration's proposal are all for programs that are likely to receive strong congressional support. The major increases include:

FAA operations.—An increase of $265,000,000 over the 1990 enacted levels for an additional 495 air traffic controllers; 400 additional aviation inspectors; and 164 more civil aviation security personnel.

FAA facilities and equipment.—An increase of $800,000,000 above 1990 to continue planned procurement and installations for modernizing the air traffic control system, including doppler wind shear radar; long-range radar for traffic control centers; and the advanced automation system.

Coast Guard operations.—An increase of $445,000,000 over 1990 to continue drug interdiction, law enforcement, and marine environmental protection activities; which assumes that the subcommittee would fully fund these operations and not receive additional support from defense appropriations, which provided $300,000,000 for the Coast Guard "operations" account in 1990.

MAJOR DECREASES PROPOSED BY THE ADMINISTRATION

The major decreases proposed by the administration are not new initiatives. The proposed cuts and eliminations have been suggested by the previous administration and were continually rejected by Congress. The major cuts include:

Federal aid to highways.—The proposal would reduce the obligation ceiling that controls this program by $200,000,000 from the 1990 level of $12,210,000,000. Also, other highway programs including single-purpose demonstration programs would be eliminated—a reduction of $240,000,000.

Amtrak.—This program and its related activities would not receive any funding in fiscal year 1991. This would mean a reduction of $605,000,000 in budget authority.

Urban mass transit.—A total program reduction of $750,000,000 is proposed. This would be accomplished by eliminating operating subsidies for areas above 1,000,000 in population; and the Interstate Transit Program would be eliminated as a line item appropriation.

Washington Metro.—Funding would be reduced by $50,000,000 from the 1990 level of $84,000,000.

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	8,978	9,244	+265	670	8,913	9,583
Discretionary	9,464	10,100	+637	1,432	8,686	10,118
Subtotal	18,442	19,344	+902	2,102	17,599	19,701
Modifications to 1990						
Supplementals						
Rescissions						
Subtotal						
Total	18,442	19,344	+902	2,102	17,599	19,701

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Treasury, Postal Service and General Government Subcommittee is responsible for funding programs and activities of the U.S. Department of the Treasury, the U.S. Postal Service, all of the Executive Office of the President agencies (with the exception of the Office of the U.S. Trade Representative, the Office of Science and Technology Policy, the National Space Council, and the Council on Environmental Quality), the General Services Administration, and certain other independent agencies, commissions, boards, and offices.

At the time of the preparation of this report, the subcommittee has not yet had the opportunity to fully analyze the detailed appropriations justification materials submitted to it in support of the fiscal year 1991 budget proposed by President Bush. In fact, the subcommittee has only just begun its regular hearing process during which it will receive the benefit of explanation and testimony on these funding proposals.

Nonetheless, the subcommittee has made some tentative views and estimates with regard to the total amount of new budget authority and outlays required to sufficiently fund those programs and activities under its jurisdiction for fiscal year 1991. These tentative views and estimates are based on fiscal year 1991 preliminary baseline estimates of the Congressional Budget Office [CBO], as well as CBO's reestimates of President Bush's budget request for fiscal year 1991.

FISCAL YEAR 1991 BUDGET ESTIMATES

For fiscal year 1991, the President proposes a total of $19,344,224,000 in new budget authority for programs and activities under the jurisdiction of the subcommittee. This total request is $902,077,000 above the fiscal year 1990 postsequester appropriations level and $167,982,000 above the fiscal year 1991 Congressional Budget Office baseline level. OMB estimates total fiscal year 1991 outlays resulting from the President's requested new budget authority and prior-year spending to be $19,701,038,000. The CBO reestimate of outlays based on the President's budget request and prior-year spending is $249,044,000 above the OMB estimate.

Included in the President's total request of $19,344,224,000 are savings which could be realized only if legislation proposed by the administration for later transmittal is enacted into law. This includes the President's proposal to fund the reimbursement to the Federal Reserve banks from a new indefinite permanent appropriation. Until this legislative proposal is enacted into law, the $80,235,000 required to fully reimburse the Federal Reserve banks must be assumed as an appropriations requirement of the Bureau of the Public Debt for fiscal year 1991. The same is true for payment of Government losses in shipment which the administration also proposes to fund in fiscal year 1991 through the establishment of a permanent indefinite appropriation. The subcommittee has no control over the fate of these and other legislative proposals which might alter appropriations requirements; therefore, it must assume that funding needed to carry out current law will be required.

Increases proposed in the Bush budget.—Of the President's $902,077,000 proposed increase in budget authority above the fiscal year 1990 postsequester level, $265,444,000 is for mandatory program requirements over which the subcommittee has no effective control. The remainder of the proposed increase, $636,633,000, is for discretionary programs under the subcommittee's jurisdiction. Included in this net $636,633,000 increase in discretionary spending is an increase of $633,681,000 for the Internal Revenue Service; an increase of $31,378,000 for the Secret Service; and an increase of $57,953,000 for the Executive Office of the President. These increases are partially offset by proposed reductions in other programs under the subcommittee's jurisdiction.

IRS proposed increase.—The President's budget request proposes a $633,681,000 increase in funding for the Internal Revenue Service [IRS] in fiscal year 1991. Of this amount, $191,000,000 is proposed for new tax enforcement initiatives expected to generate an additional $537,000,000 in revenues to the U.S. Treasury in fiscal year 1991; $161,175,000 is for information systems development, including tax systems modernization; and the balance is to maintain personnel levels necessary to provide adequate levels of taxpayer service, to support increased tax processing workloads, and to implement enhanced drug enforcement activities.

IRS indicates that if increased fiscal year 1991 funding is not provided to accommodate these activities, the result will be a reduction in taxpayer service and/or a loss in the revenues needed to achieve deficit reduction. In the past, the subcommittee has found that information systems development investments have been delayed by the IRS as a result of unfunded mandatory cost increases. The subcommittee believes that tax redesign activities should be given the utmost funding priority to ensure that the Federal Government's revenue collection system has adequate capacity in the decade ahead to accommodate projected workload increases. While the subcommittee has provided funding for enhanced revenue enforcement efforts in the past, it remains concerned about the IRS' ability to realize the additional revenue assumed in the budget calculations. The subcommittee questions whether the revenues claimed to be generated from these efforts in a given fiscal year should be scored as revenues. As a recent example, the fiscal year 1990 bipartisan budget agreement assumed $468,000,000 in deficit reduction from enhanced IRS enforcement efforts. IRS officials now advise the subcommittee that $350,000,000 of this additional revenue will not be realized this fiscal year.

Funding for the IRS represents over 60 percent of the total discretionary funding under the subcommittee's jurisdiction. As a result, the subcommittee will be unable to provide the increased level of funding for the IRS requested by the President for fiscal year 1991 through savings in its other discretionary programs.

Program terminations.—No programs under the subcommittee's jurisdiction are proposed for termination in the administration's fiscal year 1991 budget.

Pay absorption and administratively uncontrollable overtime.—For virtually every Federal agency under the jurisdiction of the subcommittee for fiscal year 1991, the administration has assumed absorption of 50 percent of the costs associated with the 3.5-percent cost-of-living adjustment. As a result, to fund the increased pay costs, each agency must either significantly reduce the number of full-time equivalent positions and/or cut back on numerous activities critical to the mission of each agency. The cumulative effect of pay absorptions since fiscal year 1989 has had a devastating effect on initiatives funded. In some cases, it has resulted in almost no funding being made available for initiatives backed by the administration and fully endorsed by the Congress. For the Treasury Department alone, the 1991 increased pay costs which must be absorbed total $71,400,000. Without increased funding to fully cover the costs of pay in fiscal year 1991, funding shortfalls will result in hiring freezes and other program reductions further constraining implementation of administration and congressionally approved funding initiatives.

Nowhere is the effect of pay absorptions more pronounced than in the Federal agencies responsible for drug enforcement. For those agencies whose missions are key to the implementation of the President's national drug control strategy, this can only mean a further erosion of efforts to end the scourge of drugs. In fiscal year 1991, absorption of 50 percent of the costs of the 1991 pay raise for drug enforcement agencies under the jurisdiction of the subcommittee totals $15,330,000.

To further exacerbate these problems, the administration's fiscal year 1991 budget assumes full absorption of the increased costs of administratively uncontrollable overtime [AUO] authorized by Public Law 101–173. Increased AUO costs for agencies under the jurisdiction of the subcommittee in fiscal year 1991 total $31,300,000. Without increased funding to cover the full costs of AUO, national drug enforcement efforts in fiscal year 1991 will be severely curtailed.

If antidrug initiatives of these law enforcement agencies are held harmless from the personnel and program reductions resulting from unfunded pay and other mandatory costs, the nondrug-related activities of these agencies will suffer disproportionate and arbitrarily imposed reductions impairing all nondrug-related activities and, in some cases, will result in a loss of revenues to the U.S. Treasury.

Special forfeiture fund.—For fiscal year 1991, the administration has proposed legislation which will permit the transfer of unobligated balances in the Department of Justice assets forfeiture fund to the Office of National Drug Control Policy's special forfeiture fund on a quarterly basis. Current law authorizes the transfer of unobligated balances on the last day of the fiscal year. If the Congress enacts the legislation requested by the President to effect the quarterly transfers, the outlays associated with this account will increase dramatically. Therefore, additional outlay requirements must be taken into consideration when calculating outlay spending totals for this activity in fiscal year 1991.

One way to partially reverse the effects of unfunded pay and other mandatory costs for law enforcement agencies in fiscal year 1991 is to use the estimated $128,000,000 in special forfeiture fund proceeds to cover the increased costs of administratively uncontrollable overtime included in the budgets of all law enforcement agencies. OMB estimates that increased AUO costs in fiscal year 1991 total $101,000,000. Outlays associated with the special forfeiture fund are currently estimated by OMB and CBO to be $64,000,000 based on enactment of the President's legislative proposal. An increase in outlays to a level of approximately $100,000,000 will be required by the subcommittee if fund proceeds are redirected to cover the increased costs of AUO.

General Services Administration.—In September 1989, the subcommittee was notified that the General Services Administration [GSA] and the Office of Management and Budget had completed a study of the Federal Government's space requirements and the availability of funds through the GSA's Federal buildings fund to meet those requirements. As a result of the study, the GSA and the OMB reached agreement that a total of 21 projects with an estimated cost of approximately $3,000,000,000 would be required to meet the GSA-controlled space needs of the Federal Government over the 1991–93 period. The OMB/GSA task force determined that the Federal buildings fund, a revolving fund now used to finance projects on a cash basis, would have an adequate income stream to support only $500,000,000 of this need up front. The OMB/GSA task force determined that the Federal buildings fund could carry the remaining 1991–93 shortfall of up to $2,500,000,000 over time and recommended legislation to authorize GSA to enter into least-cost financing mechanisms to do this. This least-cost or installment purchase financing approach to Federal ownership resulted from the study's conclusion that Federal ownership is usually economically preferable to leasing when a long-term Federal space need exists.

While installment purchase financing will require the approval of authorizing legislation by the Congress, the subcommittee notes that the President's fiscal year 1991 budget proposes a change to the appropriations language for GSA to provide authority for installment acquisition payments even though there is no specific mention of the OMB/GSA task force legislative proposal. The subcommittee is aware that five projects having an estimated total project cost of $1,400,000,000 are contemplated for least-cost financing in fiscal year 1991. The subcommittee is concerned that any proposed alternative financing mechanism authorized by the Congress not bypass the normal appropriations process. Furthermore, various scorekeeping approaches have been applied to lease-purchase arrangements in the past, and the fiscal year 1991 appropriations requirements of the subcommittee could be significantly altered depending on the scoring of any new alternative financing method authorized by the Congress.

Enhancements to the President's budget request.—The President's fiscal year 1991 budget request for many important programs and activities under the subcommittee's jurisdiction have been reduced below the fiscal year 1990 postsequester appropriations level. Additional funding will be required to maintain base levels of funding needed for these programs and activities to operate effectively and efficiently. In the past, the subcommittee has provided enhanced levels of funding for the U.S. Customs Service's commercial operations and drug interdiction activities; the Bureau of Alcohol, Tobacco and Firearms' Armed Career Criminal Program; the General Services Administration's Southwest Border Facility Capital Improvements Program; the Federal Law Enforcement Training Center's facilities master plan to expand its capacity to meet increased law enforcement training demands; as well as other increased enforcement and antidrug efforts. The Committee expects to maintain enhanced levels of funding for these important initiatives in fiscal year 1991. This cannot be accomplished at the total discretionary funding level proposed by the President for fiscal year 1991.

FISCAL YEAR 1990 SUPPLEMENTALS

The administration has not submitted any requests at this time for supplemental funding for programs under the jurisdiction of the subcommittee for fiscal year 1990.

VA, HUD, AND INDEPENDENT AGENCIES

[In millions of dollars]

	Budget authority			Fiscal year 1991 OMB outlays		
	Fiscal year 1990 enacted	Fiscal year 1991 request	Request versus 1990	Prior balances	New authority	Total
Gramm-Rudman-Hollings mandatory	21,503	19,548	−1,954	3,864	14,933	18,798
Discretionary	48,980	59,228	+10,248	33,315	26,725	60,040
Subtotal	70,483	78,777	+8,294	37,179	41,658	78,837
Modifications to 1990:						
Supplementals				3		3
Rescissions						
Subtotal				3		3
Total	70,483	78,777	+8,294	37,179	41,658	78,837

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Subcommittee on VA, HUD, and Independent Agencies appropriated $48,980,000,000 in discretionary budget authority in its fiscal year 1990 appropriation bill for the 22 Federal departments and agencies within its jurisdiction. This amount represents nearly 30 percent of the domestic discretionary (nondefense) spending within the Federal budget and the Senate Appropriations Committee's jurisdiction in fiscal year 1990. The amount appropriated for 1990 reflects a reduction of $600,000,000 that resulted from last fall's Gramm-Rudman sequestration.

The subcommittee is responsible for two Cabinet departments: the Department of Veterans Affairs [VA] and the Department of Housing and Urban Development [HUD]. In addition, it has exclusive jurisdiction over the Federal agencies which shape the Nation's Federal policies on environment, civilian space, and basic research and development. The President has proposed legislation elevating one of these independent agencies, the Environmental Protection Agency [EPA], to Cabinet-level status.

The Federal departments and agencies within the subcommittee's jurisdiction touch virtually every sector of our Nation. Their scope ranges from a rapidly aging veterans' population in need of increasing levels of medical care, to the most advanced programs in science and technology development which are central to maintaining America's competitive edge in a global economy.

The subcommittee also has jurisdiction for several smaller, but still important, Federal agencies. Among these are: the American Battle Monuments Commission, the Consumer Product Safety Commission, the Court of Veterans Appeal, the Army Cemeterial Expenses, the Council on Environmental Quality, the National Space Council, the Office of Science and Technology Policy, the Consumer Information Center, the Office of Consumer Affairs, the Interagency Council on the Homeless, the National Credit Union Administration, the National Institute of Building Sciences, the Neighborhood Reinvestment Corporation, and the Selective Service System.

MAJOR POLICY ISSUES FOR FISCAL YEAR 1991

The subcommittee's fiscal year 1991 needs are effected by a number of major policy questions it will be forced to address in the course of its annual budget hearings. In summary, these issues are:

Global climate change.—The issue of global climate change is likely to grow in concern and attention in the future. In order to gain a clearer understanding as to the nature and extent of this phenomenon requires a substantial annual increase in research expenditures throughout this decade. This research effort will accompany policy decisions needed to limit the emission of greenhouse gasses. The Committee, therefore, is very supportive of the administration's research program on global climate change for which a total of $1,034,100,000 is requested in the fiscal year 1991 budget. This represents a 57-percent increase over the current fiscal year appropriations and demonstrates the seriousness and magnitude that the issue of global climate change poses for this Nation and the world.

Of this overall research program, more than three-quarters is proposed to be conducted through agencies in the subcommittee's jurisdiction: the Environmental Protection Agency [EPA], the National Aeronautics and Space Administration [NASA], and the National Science Foundation [NSF]. In addition to these research activities, two entities in the Executive Office of the President, assist in program and policy coordination directly relating to global climate change, the Office of Science and Technology Policy [OSTP] and the Council on Environmental Quality [CEQ]. These agencies also fall within the subcommittee's jurisdiction.

Given the substantial role that these agencies play in our Nation's program to address this significant issue, it is the subcommittee's intent to closely monitor not only the proposed research program but also the development of governmentwide policies relating to global climate change. The Committee notes that the Director of OSTP has also been charged by the President to chair a Cabinet-level working group on global change under the White House Domestic Policy Council. This represents a needed step toward assuring a coherent and scientifically sound approach to develop and implement policies needed to address this significant and potentially catastrophic alteration of the global environment.

The Committee notes that there exists widely varying opinions regarding the appropriateness of the pace of research activity and on the need to more aggressively pursue specific policies and regulatory action to curb emissions of greenhouse gases into the atmosphere. The Committee, however, is very supportive of the comprehensive approach adopted to coordinate the Federal global climate change research program and believes that a balance between focused efforts on particular aspects of the Earth's climate system and more fundamental research on large-scale processes is critical for both near-term and long-term policy development. The Committee also believes that research activities should be augmented to more adequately address concerns directly relating to remediation technology and control strategies. In addition, the Committee intends to assure the continuation of policy development activities, especially that previously supported by the Committee in EPA.

Expiring assisted housing contracts.—Between fiscal 1991 and 1995, contracts funding more than 1 million low-income housing section 8 certificate and voucher units will expire. Unless sufficient appropriated funds are made available to renew these contracts in advance of their expiration date, those families living in units assisted under these expiring contracts could either be forced out on the street or required to devote more than 50 percent of their monthly income for rent.

Fiscal year 1990 was the first year when a significant number of these expiring certificate and voucher units required renewal. As a result, the Committee provided almost $1,100,000,000 in 1990 to renew contracts on approximately 42,000 units, about 80 percent more units than anticipated by the administration's budget. This higher level of assistance resulted from the discovery of serious flaws in the data base and analytical systems used by HUD to calculate section 8 renewal estimates.

The President has requested just over $7,700,000,000 in budget authority for section 8 renewals in 1991. This level is $6,600,000,000 higher than the 1990 appropriation, and reflects the uneven nature of the rate of expiration of section 8 contracts. The requested level, however, is still $1,002,000,000 less than what the administration said would be needed in 1991 in a letter dated August 2, 1989, to the Committee from HUD. That estimate assumed there would need to be funding in fiscal 1991 for the renewal in advance of all section 8 contracts expiring in the first 3 months of fiscal 1992. The administration's fiscal 1991 budget, however, has reduced the number of advance renewals by 38,000 units on the premise that only those expiring in the first 6 weeks of fiscal 1992 needs funds in 1991. The Committee does not agree with this change in the assumptions the administration used to prepare its 1991 budget. As a result, it believes that this $1,000,000,000 should be restored in order to provide sufficient lead time for HUD field offices to properly and efficiently renew expiring contracts that will require action in early 1992.

Investments in research and development.—The administration has proposed expanding Federal investment for science, space, and technology by more than $3,200,000,000 in fiscal year 1991, more than a 22-percent increase. This continues a policy focus to aggressively address the erosion in our Nation's leadership in science and engineering, and has resulted in more than a doubling of budget outlays in the past 10 years. The bulk of this budget function falls within the subcommittee's jurisdiction in the amounts requested for the National Aeronautics and Space Administration and the National Science Foundation.

Sustaining this aggressive expansion in the face of pressures to reduce the overall budget deficit and constraints on other Federal programs, is becoming increasingly more difficult. This is despite the acknowledgement that the overwhelming portion of the requested increases in funding are merely to sustain previous program commitments such as the space station *Freedom,* the space shuttle system, science and engineering centers, and continuing research grants.

This continuing commitment makes even more critical that, at a minimum, the full amount of the President's budget request be appropriated since, short of massive and counterproductive program cancellations, there is no means of addressing critical new priorities as research on global climate change, expanding science and engineering education efforts, and promoting a long-term space exploration program of our universe.

Waste water treatment construction grants.—The administration proposes a 20-percent reduction in the Environmental Protection Agency's Waste Water Construction Grants Program, from $2,000,000,000 in fiscal year 1990 to $1,600,000,000 in fiscal year 1991. The construction grants program is the major Federal program for addressing the needs of States and localities to meet federally mandated water quality standards. Fiscal year 1991 marks the first year that no direct grants will be made. Grants will be awarded on a formula basis to capitalize State revolving loan funds. The Committee believes that because 1991 is such a critical year for this program, every effort should be made to fund this program at a level close to the authorized level of $2,400,000,000.

Savings and loan regulation.—With the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the Committee is now responsible for providing the annual appropriations for the FSLIC resolution fund [FRF], the successor to the Federal Savings and Loan Insurance Corporation assets and liabilities from previously contracted savings and loan settlement agreements.

The Committee provided the FRF with a 1-year indefinite appropriation for 1990, which the Office of Management and Budget estimates to be slightly above $4,900,000,000. For 1991, the administration has proposed a similar 1-year indefinite appropriation, with an estimated cost of $2,900,000,000. The Committee intends to review this request carefully before deciding upon the appropriate course of action in 1991. The Committee does note, however, that the Congressional Budget Office [CBO] has reduced its estimate of the mandatory baseline for the VA-HUD bill by $2,900,000,000 instead of including it as did the OMB in preparing the administration's budget because these funds are to be applied to the FRF's liquidation of authority to borrow.

Science education.—The Committee believes that priority should also be given to increasing America's competitiveness through additional funding for science and engineering education programs. In 1990, the Committee provided $204,270,000 for science and engineering education programs supported by the National Science Foundation, an increase of nearly 20 percent above the 1989 level.

The National Science Foundation has requested $251,000,000 for science and engineering education programs in 1991, an increase of $46,730,000, or 22.9 percent, over last year. The Committee believes this is the minimal level necessary to restore the Nation's premier position in the world in math and science.

FISCAL YEAR 1991 BUDGET ESTIMATES

Department of Veterans Affairs.—The administration is requesting a total of $30,459,036,000 for the Department of Veterans Affairs, the Federal department responsible for providing benefits and services for the Nation's 27,300,000 veterans. The administration's fiscal year 1991 request represents an increase of $1,274,968,000, or 4.37 percent, over the current budget. Excluding mandatory benefit programs, the budget requested represents an increase of 9 percent, which represents a significant improvement over that reflected in recent prior budget submittals.

The budget would provide $16,315,361,000 for mandatory benefit programs, which provides for the anticipated 3.9-percent cost-of-living adjustment effective December 1, 1990 and reflects the declining proportion of eligible beneficiaries.

The budget also proposes $12,473,816,000 for medical programs, an increase of $889,569,000, or 8 percent, over the current budget. The budget requested for medical programs is the most realistic level that has been proposed in recent years, and will allow VA to provide medical care to an additional 15,700 inpatients and 538,000 outpatients in fiscal year 1991. It should be noted that approximately one-half of the requested increase in the "Medical care" account would go to payroll for existing employment.

Construction programs would total $694,467,000 in the administration's budget, an increase of 26 percent above the current budget. The substantial increase reflects a major replacement and modernization project at the Detroit Veterans Medical Center.

The budget proposes $902,514,000 for general operating expenses, an increase of 14 percent above the current budget. Of the increase, $42,674,000 is for continued implementation of the modernization of data processing systems to improve service delivery. Another $16,600,000 is for the renovation of VA central office.

Department of Housing and Urban Development.—The administration has proposed a budget of $21,354,060,000 for the Department of Housing and Urban Development. The Committee suggests that $24,031,997,599 would be necessary to continue most programs at current levels and to augment a number of significant priority activities.

The administration's assisted housing request, excluding section 8 renewals, is $7,352,317,300. An additional $900,000,000 is needed to continue the programs funded through this account at current services levels. It does not include $500,000,000 for public housing lead-based paint abatement activities that will ultimately cost billions of dollars.

The administration's section 8 contract renewals request is $7,734,985,000. The Committee believes this is $1,020,270,599 less than what is needed, consistent with the administration's letter of August 2, 1989, to the Committee on this very matter.

The public housing operating subsidy request understates actual needs by $175,000,000. A total of $2,000,000,000 is needed for this program in the coming fiscal year. In addition, the administration has proposed reducing public housing modernization by $128,273,000 in fiscal year 1990 from $1,975,765,000 to $1,847,492,000. Private sector studies suggest that the need for modernization of the Nation's public housing stock is as high as $20,000,000,000, and HUD's own internal estimates cite the need to be $10,000,000,000. As a result of this enormous need, the Committee believes that an amount above $2,000,000,000 for public housing modernization is a necessary target for fiscal year 1991.

The administration proposes homeless assistance funding for the Department of Housing and Urban Development of $461,774,000 in fiscal year 1991, considerably in excess of the $291,000,000 authorized by title IV of the Stewart B. McKinney Homeless Assistance Act for the current year. Of the amount requested, $160,782,000 is for housing vouchers and $36,000,000 for section 202(h) housing for the homeless, with emphasis on homeless who are mentally ill and/or have substance abuse problems.

Despite these proposed increases, none of the $11,000,000 most recently authorized for the supplemental assistance for facilities to assist the homeless [SAFAH] is being sought. In addition, the administration's budget proposes a cut of $23,614,000 in the Moderate Rehabilitation Single Room Occupancy [SRO] Program, a program of particular interest to the Committee. The Committee believes both programs should be funded at current services levels.

Last year the Congress provided over $2,900,000,000 for the Community Development Block Grant [CDBG] Program. This year the administration is requesting $2,756,000,000 for the program, a reduction of $109,000,000 below last year's level. Because of the importance of the CDBG Program to local communities and States throughout the Nation, the Committee believes that the program should be funded at a level of $3,031,667,000 to maintain it at a current services level.

Only $228,016,000 is requested in fiscal year 1990 for the Section 202 Elderly and Handicapped Housing Construction Program. The Committee believes that an additional $287,000,000 would be required to continue the existing loan program at the current level of 11,264 reservations per year.

The administration proposes no funding in fiscal year 1991 for the Congregate Services and Nehemiah Housing Opportunity Grant Programs. The Committee recommends that both programs be funded at current service levels of $6,062,000 and $26,000,000, respectively.

National Aeronautics and Space Administration.—It is the Committee's view that funding to maintain a vigorous and effective national civilian space program requires a fiscal year 1991 appropriation of not less than $15,125,200,000. This is the level proposed in the budget request of the administration.

Although the Committee's estimate of NASA requirements represent a 23-percent increase in new budget authority over the levels provided in fiscal year 1990, more than 93 percent of this request is to continue ongoing programs and projects such as the space station *Freedom* and the space shuttle. Termination or significant curtailment of these efforts will result in the loss of substantial prior year investment, dissolution of key scientific and engineering teams, probable increases in total program costs, and will cripple efforts to maintain international leadership for decades to come.

One of these two major new initiatives is the Earth observing system [EOS] which, in addition to ongoing Earth remote sensing activities, promises to provide an integrated and comprehensive data base crucial to understand fundamental geophysical processes which influence global climate. Only by reducing our uncertainty as to the effects of human activity on our climate, can we hope to achieve the political, social, and economic understandings necessary to address this enormous concern. Although the administration is proposing an appropriation of $661,000,000 for these research activities in NASA, an increase of $172,000,000 over the fiscal year 1990 level, the subcommittee expects that widespread interest will be expressed to accelerate this effort further.

The Committee intends to rigorously scrutinize proposed NASA activities, and to delete or reduce lower priority items. It is unlikely, however, that substantial savings will be found except at the cost of previously planned and authorized science and technology initiatives. Furthermore the Committee is mindful that while near-term development costs can be deferred or eliminated, these actions jeopardize strategic plans, make impossible sound life-cycle cost management decisions, and increase the possibility of costly schedule delays.

The Committee is also aware of very constrained civil service staffing levels at NASA which may lead to inadequate contract management and technical oversight. Recently, the inspector general of NASA conducted investigations into agency procurement activities which indicate that past reductions in such direct Federal contract supervision permitted the substitution of untested and nonconforming flight hardware by the agency which may impact on flight safety as well as impose substantial additional cost. Furthermore, other aspects of the agency's infrastructure, especially deferred maintenance of buildings and facilities and replacement of obsolete equipment, must be addressed to maximize efficient and effective operations. The

Committee intends to carefully review the agency's budget and program plans to assure progress in addressing these serious problems.

National Science Foundation.—For the National Science Foundation, the Committee believes that the President's full budget request of $2,383,000,000 for fiscal year 1991 should be appropriated. This is a 15-percent increase over the level provided for the current budget. This agency is the central focus for basic science and engineering research in the United States and is crucial to advancing the Nation's competitive position relative to the aggressive and concerted programs of our global trading partners.

In addition to the conduct of research, NSF also serves as the lead Federal agency in the development and promotion of exemplary science and mathematics educational material and curricula. This effort seeks to redress the alarming erosion in the performance of American students in these subjects which serve as the basis for understanding and working with the advanced technology which underpins our economic future.

It is the Committee's view that the relatively small sums invested in maintaining the Nation's science and technology base must be significantly expanded in a multiyear plan as has been proposed by the administration. Although all Federal activities are facing unprecedented budgetary constraints, it is even more critical that we now make these investments for our Nation's economic future. Educational programs and long-term basic research, by their nature, do not yield immediate returns. It is clear, however, that failure to adequately support such activities will leave our Nation, in the decades to come, bereft of the talent and technology needed to sustain our economic position in a highly competitive global environment.

The Committee is pleased that the administration's budget submission for fiscal year 1991 includes a 23-percent increase for the NSF Science and Engineering Education Program as well as a $20,000,000 request for continuation of the Research Facilities Modernization Program initiated by the Congress in fiscal year 1990. Inclusion of these items present a program more balanced than that reflected in prior year requests, but also highlight the need to appropriate the full amount proposed for the Foundation.

Environmental Protection Agency.—The administration is proposing a budget of $5,580,709,200 for the Environmental Protection Agency, an increase of less than 1 percent above fiscal year 1990. The Committee suggests that an additional $500,000,000 is needed to maintain most programs at current levels and to increase funding in a few key areas.

The administration's proposal increases funding for the Environmental Protection Agency's operating programs by 12 percent over the current budget. The budget includes significant increases for enforcement activities, clean air activities, global climate change research, public water system grants, and the Superfund hazardous waste cleanup program.

Once again the administration is not proposing to fund the Asbestos Loans and Grants Program. A total of $50,000,000 was appropriated for fiscal year 1990. In 1989, local education agencies applied for funding for 4,400 asbestos abatement projects. Only 401 projects were selected to receive funding. Based on this information which demonstrates the enormous need for Federal assistance for asbestos abatement in schools, the Committee believes there will be pressure to fund this program at not less than current levels.

The administration's budget provides $7,400,000 for global climate change policy activities, a $4,600,000 reduction below fiscal year 1990. Although EPA plays a relatively small role in the global warming policy arena, it is nonetheless a critical one. The Committee believes that this activity should be maintained at not less than the current level.

The administration's budget provides $14,250,000 for nonpoint source control grants, compared to $39,000,000 in the current fiscal year. The Committee believes this reduction of more than 60 percent is unwarranted, and suggests $40,000,000 as a minimum level of funding in fiscal year 1991.

The administration's budget includes $1,600,000,000 for sewage treatment construction grants, $400,000,000 less than the current year's budget. The Committee notes that fiscal year 1990 was the last year for direct grants to localities for the construction of waste water treatment plants. In fiscal year 1991 the construction grant budget will capitalize State revolving loan funds [SRF's]. The program will be phased out by fiscal year 1994. Given the enormous unmet need for sewage treatment construction, the Committee believes that the program should be funded at a minimum level of $2,000,000,000 in fiscal year 1991.

The Superfund Program would be funded at $1,740,000,000, up $210,000,000, or 14 percent, above the current budget. Greater emphasis will be placed on enforcement activities, comprising 10 percent of the requested Superfund budget.

The administration proposes $77,138,000 for the Leaking Underground Storage Tank Program. This represents essentially level funding. Of this, 86 percent will support State cooperative agreements.

Federal Emergency Management Agency.—The administration is proposing a budget of $819,272,000 for the Federal Emergency Management Agency, a decrease of $924,000,000 from the previous year. This reduction is due primarily to last year's unusually high disaster assistance funding for Hurricane Hugo and the California earthquake. The administration proposes an increase of $8,161,000, or 2 percent, for its operating accounts.

The Committee notes that the appropriation request maintains Fire Administration and Fire Academy activities at current levels. While the President's budget does not propose transferring the Emergency Food and Shelter Program to HUD, as it did last year, it does propose a reduction of $5,101,000 for the program. This would leave the EFS Program at over $9,000,000 below last year's authorized amount. The administration also proposes a reduction in training and fire activities of $3,958,000 by terminating Superfund title III training grants.

The Committee believes that in keeping with the President's commitment to fully fund the McKinney Act, the Emergency Food and Shelter Program should be funded at last year's level of $134,000,000. The Committee also believes that the proposed user fee to be charged students at the National Emergency Training Center will hinder the ability of many communities to participate in this valued training; and that further, it is contrary to the previously established position of the Congress that student stipends not be reduced or eliminated.

Finally, the Committee believes that a current services level for all of FEMA's operating programs is a worthwhile goal. This would require an additional $65,000,000 above the President's budget request.

Consumer Product Safety Commission.—The administration is requesting a fiscal year 1991 budget of $35,609,000 for the Consumer Product Safety Commission. This represents an increase of only 1.3 percent over fiscal year 1990, and reflects a decreasing trend in the Commission's budget over the past decade.

Glaringly absent from the administration's proposal is funding for hazard contracts, which supply the Commission with technical expertise on product hazards which is not available in-house. The Committee provided

$1,000,000 for hazard contracts in fiscal year 1990, and believes this is the minimum level of funding that will be required in fiscal year 1991.

The administration proposes to severely reduce several activities in the Commission's budget, including the number of consumer publications printed and monitoring of industry compliance with CPSC regulations. In view of these decreases, the Committee believes the Commission's total budget should be increased by a minimum of $2,000,000.

Miscellaneous independent agencies.—The Committee believes that to the extent practicable, almost all of these agencies should be maintained at a current services level.

Fiscal year 1990 supplementals.—The President has proposed two supplemental items for fiscal year 1990 within the VA-HUD Subcommittee's jurisdiction.

The first would allow HUD to transfer $11,450,000 in unobligated funds in the Urban Development Action Grants Program to the Urban Homesteading Program.

The second provision would allow NASA to transfer $32,970,000 from its "Construction of facilities" account to its "Research and program management" account for increased pay cost obligations.

The Committee is currently reviewing the effects of both proposals.

CREDIT ACTIVITIES

The administration is proposing a level of $75,000,000,000 in the limitation on Federal Housing Administration guaranteed loans and $80,000,000,000 in guarantees of mortgage-backed securities by the Government National Mortgage Association. These levels of funding may be insufficient given continuing concern over the availability of affordable homeownership opportunities for American families.

○

United States Senate
COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

March 8, 1990

Honorable Jim Sasser
Chairman
Honorable Pete Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete:

In accordance with the provisions of Section 301(d) of the Congressional Budget Act, we are forwarding the views of the Committee on Armed Services on the President's budget request for the National Defense function for fiscal years 1991 through 1995.

The Armed Services Committee has been conducting a series of hearings on the implications of recent changes in the Soviet Union and Eastern Europe for our national security policy, our military strategy, and ultimately our defense budget. As part of these hearings, we have also received testimony on the President's FY 1991 defense budget from Secretary Cheney, General Powell, and other senior officials in the Department of Defense.

These hearings have demonstrated that there are still a large number of critical uncertainties or gaps associated with the President's FY 1991 defense budget and the Five Year Defense Plan. For example:

- Secretary Cheney has indicated that the current five-year spending plan for the Defense Department is $167 billion below last year's Five Year Defense Plan. So far, Secretary Cheney has indicated how approximately $70 billion of the savings will be achieved. This leaves approximately $100 billion of program reductions from last year's Five Year Defense Plan still to be identified to bring current defense spending plans in line with the defense spending levels in the Administration's FY 1991 budget proposal.

- Secretary Cheney has also indicated that he has ordered a detailed review of five major defense programs--the Advanced Tactical Aircraft; the Advanced Tactical Fighter; the C-17 transport; the B-2 bomber; and SDI. Each of these programs will cost tens of billions of dollars to complete. We understand that additional programs have been added to this review as well. We need to know the outcome of these program reviews before we act on the FY 1991 defense budget.

- So far, the Defense Department has not provided Congress with adequate details regarding what the size or structure of our military services will be over the next five years or what the balance between active and reserve forces will be.

At this time, the Defense Department has not filled in these gaps in the Five Year Defense Plan. Frankly, we recognize that the rapid and dramatic pace of change over the past year has made long-range planning very difficult. Secretary Cheney and General Powell are currently in the process of addressing these issues, and they have promised to keep the Armed Services Committee informed in a timely manner for the FY 1991 budget cycle of important decisions on the Five Year Defense Plan.

Our challenge is determine whether the FY 1991 defense budget reflects the realities and the full dimension of changes in the threat, the political situation in Europe, and the fiscal situation here at home. In order for the Armed Services Committee and the whole Congress to make decisions on the FY 1991 defense budget, we must have a clear picture of where our defense policies are going over the next three to five years. In the absence of Administration decisions on major program and force structure issues, Congress will have to rely entirely on its own judgements as to the threat and the outyear structure of our military forces. For this reason, the Defense Department must provide Congress with a complete Five Year Defense Plan that meets the spending limits in the President's FY 1991 budget, or at least a five year spending plan outlining major military force levels and program decisions.

We want to emphasize the need for a long-term, multi-year approach to the process of adjusting defense programs and policies. Large, outlay-driven reductions in the defense budget in the near-term can be very disruptive. We expect that savings will be possible from the level of national defense spending requested in the FY 1991 budget, and larger savings will be available in the outyears assuming current diminishing threat trends continue.

With the information available to us at this time, we are not able to make an informed recommendation on the appropriate level of national defense spending for FY 1991 and the next five years. We will keep the Budget Committee informed on the progress of our continuing review of national defense programs in the coming weeks.

Sincerely,

Sam Nunn
Sam Nunn
Chairman

John Warner
John W. Warner
Ranking Minority Member

DONALD W. RIEGLE, JR., MICHIGAN, CHAIRMAN

ALAN CRANSTON, CALIFORNIA
PAUL S. SARBANES, MARYLAND
CHRISTOPHER J. DODD, CONNECTICUT
ALAN J. DIXON, ILLINOIS
JIM SASSER, TENNESSEE
TERRY SANFORD, NORTH CAROLINA
RICHARD C. SHELBY, ALABAMA
BOB GRAHAM, FLORIDA
TIMOTHY E. WIRTH, COLORADO
JOHN F. KERRY, MASSACHUSETTS
RICHARD H. BRYAN, NEVADA

JAKE GARN, UTAH
JOHN HEINZ, PENNSYLVANIA
ALFONSE M. D'AMATO, NEW YORK
PHIL GRAMM, TEXAS
CHRISTOPHER S. BOND, MISSOURI
CONNIE MACK, FLORIDA
WILLIAM V. ROTH, JR., DELAWARE
NANCY LANDON KASSEBAUM, KANSAS
LARRY PRESSLER, SOUTH DAKOTA

STEVEN B. HARRIS, STAFF DIRECTOR AND CHIEF COUNSEL
LAMAR SMITH, REPUBLICAN STAFF DIRECTOR AND ECONOMIST

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

March 9, 1990

The Honorable Jim Sasser
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Pete C. Domenici
Ranking Republican
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete:

This letter transmits the views and estimate of the Committee on Banking, Housing and Urban Affairs regarding the funding of programs in our jurisdiction, as required by section 301 of the Congressional Budget Act of 1974.

Members of the Committee are deeply concerned by the continuing size of the Federal deficit and intend to apply rigorous tests of program effectiveness and efficiency to programs during the authorization process. We note that programs within the jurisdiction of the Banking Committee have already been reduced more deeply than any other comparable areas of the Federal budget. According to the Congressional Budget Office (CBO), assisted housing programs have been cut in real terms by 81 percent since 1981, and community development programs have been cut by nearly 50 percent.

SAVINGS AND LOAN CRISIS

Questions have been raised by CBO and by RTC Chairman Seidman about whether existing RTC funding will prove adequate to meet deposit insurance liabilities at insolvent thrifts. At this time, however, it is too soon to say with any confidence whether any additional spending authority will be needed and, if needed, how much might be needed before the end of FY1991.

Spending needs under existing authority are also extremely uncertain in the area of working capital. Current RTC resolution plans and loss projections suggest that the RTC will use some $40 billion to $60 billion of working capital under existing authority before reaching a spending cap in the legislation. The exact amount depends principally on the rate at which the RTC is able to sell assets of thrifts placed in receivership and the extent to which off-budget mechanisms are used, if at all, to replace high cost funds of thrifts in conservatorship.

The timing of those needs is difficult to project, as well. They may occur predominately in FY1990, or they may, as CBO projects, be larger in FY1991. The pace of resolutions will be a critical factor, but the current legislation allows the RTC some latitude in the initial mix of on-budget and off-budget funds.

The effect of working capital spending on meeting the Budget Act deficit targets will be an important issue to resolve this year. The Committee feels strongly that sufficient funds must be provided so that the pace of resolutions is not delayed. Delay would only raise the ultimate cost to taxpayers.

SEC

The President's budget calls for a 15 percent increase in SEC spending in FY1991 to $192 million. Last year, the Senate passed legislation increasing SEC spending authority to $212 million. While the Committee would prefer funding at a level closer to the authorization in the Senate bill, the President's request may be sufficient for the SEC to meet its statutory responsibilities. Throughout the 1980s, SEC budgets did not keep pace with the extraordinary growth in the volume, complexity, and globalization of securities activity. Staff size has been little changed, and salaries for professional employees are not competitive with the private sector or with other financial regulators.

HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

The Committee is aware that CBO has developed one budgetary baseline for housing programs that not only is about $200 million below the fiscal 1990 levels approved by Congress prior to sequestration, but also does not take account of the need to renew expiring housing assistance contracts.

The Committee strongly recommends adoption of a programmatic baseline that accurately recognizes the need to renew expiring Section 8 contracts. The renewal of these contracts carries out a commitment that has been made and reaffirmed by Congress as well as by the current and previous Administrations. This contract renewal is necessary to maintain current services and would not provide new assistance or new discretionary activity. It is clearly not the policy of Congress to cause the dislocation that would occur if these contracts were not renewed.

The President's 1991 budget request proposes so called "user fees" for Fannie Mae, Freddie Mac and Ginnie Mae. The Senate has consistently opposed such "user fees" in the past and the Committee anticipates that it will continue such a policy.

The Committee anticipates passage of housing legislation this session. Currently before the Committee is the National Affordable Housing Act, a sweeping reform of federal housing assistance that the Committee has developed over the past three years. The Committee expects to refine that legislation and to consider important housing proposals that shall shortly be received from the Administration.

The goal of this comprehensive legislation is to strengthen a national housing partnership among federal, state and local government, private industry and non-profit organizations. The legislation aims to improve home ownership opportunities for young families seeking to buy their first home, increase the availability of housing that is affordable to low-income and moderate-income Americans, preserve the existing stock of federally assisted housing, and expand the federal commitment to provide adequate housing for people with special needs -- particularly elderly persons, persons with disabilities, and persons who are homeless.

Although the Committee expects that funding of any new legislation will be achieved partly through termination and consolidation of current programs, the Committee anticipates that a bill of this type will require additional budget authority. While specific estimates await the outcome of the legislative process, we do not anticipate an appreciable increase in outlays over the fiscal year 1991 baseline.

EXPORT-IMPORT BANK

The Committee opposes the Administration's proposal to reduce the Export-Import Banks's direct loan program to $500 million for FY 1991. This program plays an important role in enabling U.S. exporters to get competitive financing to win sales against foreign companies in many important markets. The program is particularly important for U.S. companies competing for sales in certain developing countries, where private lenders are reluctant to provide needed financing. We support continuing the direct loan program in FY 1991 in an amount at least equal to the FY 1989 appropriation of $615 million.

The Committee also opposes the Administration's proposal to eliminate funding for the Bank's interest rate subsidy program. Interest rate subsidies are a cost effective way to leverage additional private sector financing when necessary to match the government subsidized assistance of our major competitors. For FY 1991, we support providing the interest rate subsidy program $35 million as Congress authorized.

COMMERCE DEPARTMENT EXPORT PROGRAMS

The Committee strongly supports the Administration's requests of $44.4 million for the Bureau of Export Administration (BXA) and $164.6 million for the export promotion programs of the International Trade Administration (ITA). The 1988 Omnibus Trade and Competitiveness Act placed major new responsibilities on both BXA and ITA, and both are requesting funds in FY 1991 to carry out important provisions of the Act. ITA provides U.S. firms critical information about export opportunities, enforces bilateral and multilateral trade agreements, and represents U.S. commercial interests in many overseas markets where official representation is critical to opening doors for overseas sales. In addition, the opening of potentially vast markets in East Europe, the creation of a single European Community market, and the continued trade deficit with Japan will further stretch ITA's export promotion resources in FY 1991. Since our current account deficit appears to be stalling at over $110 billion per year, and many economists expect it to increase in the next two years, we believe it is critical to continue aggressively promoting U.S. exports.

We trust that this information is helpful to the Budget Committee as it prepares the Concurrent Resolution on the Budget for Fiscal Year 1991. We look forward to working with you to address these concerns.

Sincerely,

Jake Garn
Jake Garn
Ranking Minority Member

Don Riegle
Donald W. Riegle, Jr.
Chairman

United States Senate
COMMITTEE ON COMMERCE, SCIENCE
AND TRANSPORTATION
WASHINGTON, DC 20510-6125

April 24, 1990

The Honorable James Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Republican
U.S. Senate Committee on the Budget
Washington, D.C. 20510

Dear Jim and Pete:

This letter is in response to your request for the Committee on Commerce, Science and Transportation to submit its report pursuant to Section 301(d) of the Congressional Budget Act.

The Committee will address several areas of ongoing concern during the 101st Congress. The fiscal year (FY) 1991 budget for agencies handling these issues will be scrutinized carefully to ensure adequate resources for implementing Committee initiatives and policies. The following is a discussion of major issues of interest.

Aviation

The Committee will continue its oversight of aviation industry safety and development. We support the President's funding increases for the Federal Aviation Administration (FAA), which is included in Function 400. In the coming year, it is critical that programs designed to enhance aviation safety and airport capacity receive adequate and timely funding.

We believe the President's requested funding increase of 7 percent for FAA Operations and Maintenance in FY 1991 is the minimum necessary to ensure staffing capable of safely handling projected increases in aircraft operations. The President's request provides for the addition of 495 air traffic controllers (to a FY 1991 total of 17,495), 300 aviation safety inspectors and support staff, 163 civil aviation security personnel, and 260 maintenance technicians.

With respect to FAA Facilities and Equipment, the recommended 45 percent funding increase is needed to fund planned equipment procurement and its installation in the air traffic control system. FY 1991 funding increases, which are consistent with the President's request, are needed to continue the multi-year National Airspace System Plan and other projects critical to the FAA's effort to handle safely projected increases in air traffic. Examples of projects to be funded in FY 1991 include the Advanced Automation System, which will upgrade the air traffic control system's computer technology; the Voice Switching and Control System, designed to modernize the system's communications network; and the terminal Doppler weather radar, which will improve hazardous weather detection in terminal areas.

Because of shortages in airport capacity and increasing delays (estimated to cost $5-6 billion a year) in our air transportation system, we believe outlay levels for the Airport Improvement Program (AIP) should be significantly increased over FY 1990 levels. To ensure the timely expansion of airport capacity, AIP funding levels must be increased. In this regard, airport managers recently identified capital needs of $50 billion over the next 5 years. The Administration has proposed use of the passenger facility charge (PFC) as a means of funding a portion of these expansion needs. Congress has not yet had an opportunity to consider the PFC proposal. Regardless of the final disposition of this proposal, we recommend that the obligation ceiling on outlays, which are scored to the Appropriations Committee, be set at a level that equals the authorization levels established in P.L. 100-223, or $1.8 billion in FY 1991. This is the amount included in the CBO baseline for AIP budget authority, which has been properly scored to the Commerce Committee.

The Commerce Committee is committed to increased funding for aviation capital development programs funded from the Airport and Airway Trust Fund. However, in recent years, appropriations for these programs have fallen far below authorized levels, resulting in an Trust Fund surplus that now exceeds $7.6 billion. The Committee believes that this surplus must be spent down and for the purposes for which it was intended: capital development programs.

Coast Guard

During the past year, a great deal of attention has focused on the Coast Guard's activities around the nation. From the EXXON VALDEZ oil spill in Alaska to Hurricane Hugo in South Carolina and St. Croix, the Coast Guard has been called upon to respond to a number of crises. Its demonstrated ability to respond to these tasks only strengthens the Committee's belief that it is vital for the Coast Guard to receive sufficient resources to prepare it for the future.

With respect to the Coast Guard's Operating Expenses (OE) account, the Administration has proposed $2.391 billion in spending authority compared to the CBO baseline of $2.157 billion. The President's request includes $30 million from the Boat Safety Account to be expended by the Coast Guard for operating expenses. This OE budget emphasizes funding for Coast Guard's marine environmental protection and drug law enforcement efforts, while maintaining Coast Guard's strong commitment to maritime safety, fishery law enforcement, and search and rescue. We note that the size of the Administration's proposed increase ($140 million) is due in part to the consolidation of funding for the Coast Guard in one account. Coast Guard programs have been funded through Function 050 and other sources in previous years.

In 1988, Congress authorized appropriations from the Boat Safety Account at $70 million for FY 1991 -- $10 million more than authorized for FY 1990 and $10 million more than has been requested by the President for FY 1991. Should the authorized level of $70 million be appropriated, an additional $5 million would be available to states to develop and implement recreational boating safety programs. The Coast

Guard would receive an equal amount from the Boat Safety Account for operating expenses related to recreational boating safety assistance.

For the Coast Guard's Acquisition, Construction and Improvements (AC&I) account, the Administration has proposed $420 million. The Committee notes that additional AC&I funds may be needed to purchase pollution response equipment in support of the recent expansion of Coast Guard activities in this area.

Under the Coast Guard's Alteration of Bridges account, the Administration has not requested funding for FY 1991, anticipating the enactment of legislation to transfer the program to the Army Corps of Engineers. This legislation has been rejected by the Senate, and thus, we recommend additional budget authority of $7.5 million, which is consistent with the Coast Guard authorization enacted for FY 1991.

The Senate and the House of Representatives each have passed comprehensive oil pollution liability and compensation legislation during the 101st Congress and are currently in conference to resolve differences between the bills. Both bills would enhance the Coast Guard's role in oil spill prevention. We expect the final legislation to pay for these activities from a combination of sources, including a new oil spill fund, direct appropriations, and new user fees.

Oceans and Atmosphere

The Committee is committed to the advancement of the atmospheric, oceanic, and fisheries programs of the National Oceanic and Atmospheric Administration (NOAA). Thus, we generally support the Administration's budget proposal for NOAA in FY 1991. For NOAA's Operations, Research, and Facilities (ORF) account, the Administration has proposed new budget authority of $1.386 billion in FY 1991, an increase of $310 million over the Administration's request for FY 1990 and an increase of $44 million over the CBO current services baseline. However, while the budget request includes funding for several important initiatives, it proposes small budget cuts in each of a number of existing programs, such as coastal zone management, that this Committee has strongly supported in the past.

We support continuation of NOAA's existing programs at current levels, which CBO estimates will require an ORF level of $1.342 billion. In addition, we believe a number of the Administration's proposed increases are appropriate and needed. For example, we must maintain our current weather forecasting capability and continue our efforts to modernize outmoded weather service technology and equipment. This modernization is essential for improving the National Weather Service's ability to predict severe weather and to produce life-saving and damage-reducing warnings. The Administration indicates that it will require an increase of $88 million in FY 1991 over the FY 1990 appropriated level to maintain our current weather stations and advance modernization.

We also believe that it is important to maintain the procurement schedule for our environmental satellites (GOES, POES, and LANDSAT) and to fund adequately data management and ground support systems. For FY 1991, this will require an increase of $55 million over the FY 1990 appropriated level.

Last year, the Administration initiated new NOAA programs on climate and global change, and coastal ocean science. These efforts built upon ongoing NOAA programs in oceanic and atmospheric monitoring and information management. For FY 1991, the Administration has requested an increase of $80 million over the FY 1990 appropriated levels for these efforts.

Finally, several proposals are pending in Congress to establish a national seafood inspection program. One of these proposals would assign the activity to NOAA. The estimated first-year cost of this program is $35 million, which is not included or envisioned under the President's proposal.

Thus, NOAA will require a funding increase of $258 million over the CBO baseline of $1.342 billion to meet these obligations and to continue present programs at the existing level of effort. This would mean a total new budget authority of $1.6 billion for the ORF account in FY 1991.

Merchant Marine

The Maritime Administration (MarAd) has made a FY 1991 budget request of $557.9 million. This represents a $175.7 million increase over MarAd's FY 1990 request of $382.2 million.

The largest increase in MarAd's request is that for the Ready Reserve Force (RRF). An amount of $225 million is requested for FY 1991 for the RRF, an increase of $136 million over FY 1990. This request includes $49.4 million for Fleet Additions, $171.6 million for ship Maintenance and Operations, and $4 million for Facilities. The FY 1991 request for fleet additions is estimated to be sufficient for MarAd to add five RRF ships: three tankers by upgrade, one roll-on/roll-off vessel and one tanker by acquisition. The large increase for ship Maintenance and Operations ($67.8 million) is due to the continuation of a targeted modernization program for selected high priority ships ($45 million) and the initiation of an aggressive hull preservation, painting and deferred maintenance program ($22.8 million).

The Committee believes that MarAd's activities are essential to the maintenance of a strong U.S. merchant marine and the national defense of this country, particularly with respect to the RRF. Accordingly, we endorse the President's requested increases in the FY 1991 budget.

Space, Science and Technology Competitiveness

There is strong bipartisan Committee interest in competitiveness issues. As the nation battles a trade deficit of $108.6 billion, Congress must strengthen America's traditionally competitive industries and encourage high-tech research and commercial applications of that research in new industries.

1. National Aeronautics and Space Administration (NASA)

The President has requested a FY 1991 budget of $16.3 billion for NASA. $1.2 billion of this request is for a one-time payment of outstanding debt to the Federal Financing Bank (FFB) and will not be scored against the Committee.

The Committee generally supports the President's FY 1991 budget request for NASA, including funds for technology development activities relating to the Human Exploration Initiative (the President's manned Moon/Mars mission) and the Earth Observing System (NASA's primary contribution to the U.S. Global Change Research Program).

With respect to the Human Exploration Initiative, the Committee endorses additional funding in FY 1991 for space research and technology connected with the Initiative. Once the Administration has submitted a specific proposal for the Moon/Mars project, the Committee expects to review and evaluate it at that time.

The President's FY 1991 budget request of $15.1 billion (excluding the one-time FFB payment) is an increase of $1.6 billion over the CBO baseline for NASA space activities in Function 250 and the NASA aeronautics activities in Function 400. 98% of this increase is for ongoing NASA activities, programs already approved by the Congress. The remaining 2% of the budget increase is for the two new starts discussed above. Based on preliminary estimates in FY 1990 dollars, the Earth Observing System could cost as much as $32 billion over 20 years, and the Human Exploration Initiative could cost as much as $400 billion over 30 years.

Based on the President's budget request for FY 1991-1995, we note that NASA will require a $23.5 billion increase over the CBO baseline to fulfill its mission as currently defined. The Space Station program alone will require an increase of $3.9 billion over the CBO baseline between FY 1991-95 if the first element is to be deployed by March, 1995 and if a manned tended capability is to be achieved by June, 1996.

We believe that NASA's activities are essential to our technological leadership in space and the competitive position of the domestic aerospace industry. Aerospace is our leading net exporter, but in 1987 we experienced a trade deficit for high technology industries for the first time ever. Accordingly, we endorse the President's requested increases in Functions 250 and 400.

2. National Science Foundation (NSF)

The National Science Foundation Authorization Act of 1988 (P.L. 100-570) endorsed the Reagan Administration's proposal to double the NSF budget by 1993. Last year President Bush also supported doubling the agency's budget. The Committee continues to hold this position and therefore endorses the President's FY 1991 request for

NSF. This proposal will produce the new basic research and new scientists and engineers that the nation needs in order to remain competitive in world markets.

The Committee shares jurisdiction with the Committee on Labor and Human Resources over three NSF accounts -- research, Antarctic, and research facilities accounts. The agency's fourth account, science and engineering education, remains under the sole jurisdiction of the Labor Committee. Therefore, the NSF views and estimates submitted by the Committee address the research, Antarctic, and research facilities programs.

3. National Institute of Standards and Technology (NIST)

The Technology Competitiveness Act (sections 5101-5164 of the Omnibus Trade and Competitiveness Act of 1988, P.L. 100-418) reorganized the National Bureau of Standards at the Department of Commerce (DOC) into the National Institute of Standards and Technology (NIST) and gave the agency new authorities to provide research and technical services that will help U.S. industry speed the commercialization of new products and strengthen the U.S. position in world markets. Under the new act, NIST can assist industry in three ways: continued in-house research, which provides companies with precise measurement and quality assurance techniques and new production processes in a wide range of technical fields; technology extension activities; and a new Advanced Technology Program (ATP) which encourages and financially assists corporate research consortia ("joint research and development ventures") and other industrial research efforts.

In an era when U.S. leadership in commercial technology is eroding, and when major trading partners spend a far higher percentage of gross national product on commercially-related research, the Committee believes that targetted expansions of NIST programs are important to the future prosperity and security of the nation.

During the first session of the 101st Congress, the Committee approved without objection S. 1191, a bill to reauthorize the programs of NIST and the other parts of DOC's Technology Administration. The bill passed the Senate by unanimous consent on October 26, 1989, and is now pending before the House. While the Senate-passed version of the bill authorized only FY 1990 appropriations, the Committee expects that the final version of S. 1191 sent to the President will contain FY 1991 authorizations.

The Committee is encouraged that the President has requested substantial increases in NIST's in-house laboratory program for FY 1991. The President also has requested funds for the major new technology extension program, the Regional Centers for the Transfer of Manufacturing Technology, and for the ATP. The President's FY 1991 request for the ATP is at the same level as the FY 1990 appropriation, $10 million. However, S. 1191, as passed by the Senate, would have authorized $100 million in FY 1990 appropriations for the program. The

Committee expects to consider a similar amount for the FY 1991 ATP authorization in the final version of S. 1191.

The Senate-passed version of S. 1191 proposes that the ATP support industrial efforts to develop new generic technologies in such areas as advanced imaging electronics, advanced manufacturing, superconducting materials, advanced ceramic and composite materials, and semiconductor production equipment. All of these areas are critical to long-term U.S. economic competitiveness and security, and all have been targetted by the Nation's major trading partners. All ATP awards are to be made through a competitive, merit-reviewed process. Under the provisions of the Technology Competitiveness Act, DOC may provide only seed money or a minority share of the consortium's costs; the industrial members of the venture must provide most of the funding.

4. High-performance computing initiative

The Committee has ordered reported S. 1067, the proposed High-Performance Computer Technology Act. This bill would create and authorize a major new computer initiative that the Office of Science and Technology Policy has proposed -- this proposal resulted from a report requirement included in the Committee's FY 1987 authorization statute for NSF. At a time when computers are more important than ever to scientific research, the bill would ensure that Federally-funded scientists and engineers continue to have access to the most advanced supercomputers and computer networks. The initiative also would contribute to the Nation's continued technological leadership in the computer field.

S. 1067 contains authorizations for two Federal agencies: NSF and NASA. The total authorization provided in the bill is $988 million over a five-year period, with $68 million for FY 1991.

Surface Transportation

The Committee has ordered reported a bill authorizing funds to support research and development activities associated with magnetically levitated (maglev) transportation systems. The reported legislation, S. 2286, supports this activity through the Department of Transportation (DOT) and the Fedoral Railroad Administration (FRA), which has safety jurisdiction over maglev systems pursuant to the Rail Safety Improvement Act of 1988. Cooperative research and development agreements between DOT and industry are proposed pursuant to the Stevenson-Wydler Technology Innovation Act. Funding for this initiative would be provided by the FRA and industry.

The President's budget for FY 1991 proposes funding of $17 million to support railroad research and development activities, including new funding of $6.1 million earmarked for high speed rail and maglev assessments by the FRA. The legislative proposal approved by the Committee would support funding of $50 million in both FY 1991 and FY 1992.

In conclusion, this Committee remains committed to responsible deficit reduction while maintaining adequate funding for those priority programs under its jurisdiction. We look forward to working with the Budget Committee as the FY 1991 budget resolution is considered.

With warm regards, we are

Sincerely,

Jack Danforth
JOHN C. DANFORTH
Ranking Republican

Fritz Hollings
ERNEST F. HOLLINGS
Chairman

J. BENNETT JOHNSTON, LOUISIANA, CHAIRMAN

DALE BUMPERS, ARKANSAS
WENDELL H. FORD, KENTUCKY
HOWARD M. METZENBAUM, OHIO
BILL BRADLEY, NEW JERSEY
JEFF BINGAMAN, NEW MEXICO
TIMOTHY E. WIRTH, COLORADO
KENT CONRAD, NORTH DAKOTA
HOWELL T. HEFLIN, ALABAMA
JOHN D. ROCKEFELLER IV, WEST VIRGINIA

JAMES A. McCLURE, IDAHO
MARK O. HATFIELD, OREGON
PETE V. DOMENICI, NEW MEXICO
MALCOLM WALLOP, WYOMING
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLAHOMA
CONRAD BURNS, MONTANA
JAKE GARN, UTAH
MITCH McCONNELL, KENTUCKY

DARYL OWEN, STAFF DIRECTOR
D. MICHAEL HARVEY, CHIEF COUNSEL
FRANK M. CUSHING, STAFF DIRECTOR FOR THE MINORITY
GARY G. ELLSWORTH, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510-6150

March 6, 1990

The Honorable Jim Sasser
Chairman
The Honorable Pete Domenici
Ranking Republican Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Senators Sasser and Domenici:

Enclosed is the report of the Committee on Energy and Natural Resources on the "Views and Estimates" of the Committee for Fiscal Year 1991 for portions of the Federal budget under the Committee's jurisdiction as required by section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended. The recommendation of the Committee was approved on March 1, 1990, by a vote of 18 ayes and 0 nays with a quorum present.

As outlined in the report, the Committee generally recommends to the Budget Committee that programs within its jurisdiction be funded in Fiscal Year 1991 at an aggregate current services level. As you requested, the report addresses new initiatives the Committee contemplates pursuing during the year. The report also comments on the budget initiatives included in the President's proposed budget for FY 1991. Many of these initiatives have been proposed in the past and rejected. In general the Committee does not support the major changes in energy and natural resources programs.

On behalf of the Committee, we look forward to working with you and the other members of the Committee on the Budget to achieve early Congressional approval of the Concurrent Resolution on the budget for Fiscal Year 1991.

Sincerely,

James A. McClure
Ranking Minority Member

J. Bennett Johnston
Chairman

COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

RECOMMENDATION ON
FISCAL YEAR 1991 BUDGET

MARCH 1, 1990

BACKGROUND

Section 301(d) of the Congressional Budget and Impoundment Control Act, as amended, requires the Committee on Energy and Natural Resources to submit to the Committee on the Budget its "Views and Estimates" for fiscal year 1991 of the portions of the Federal budget under its jurisdiction.

The Committee approved the following recommendation on March 1, 1990, in an open business meeting by a vote of 18 ayes and 0 nays, with a quorum present.

As requested by the Budget Committee, the report addresses three areas: new legislative initiatives, deficit reduction proposals, and comments on the President's budget.

SUMMARY RECOMMENDATION

In general, the Committee recommends that programs within its jurisdiction be funded in fiscal year 1991 at an aggregate current services level as estimated by the Congressional Budget Office (CBO), although specific authorization levels within that aggregate may change. Exceptions to this general recommendation are noted in the program-by-program discussion that follows. The Committee recommendation covers both direct spending program levels and credit program levels. The Committee also recommends that programs within its jurisdiction be funded at an aggregate current services level for FY 1991 through FY 1994.

NARRATIVE STATEMENT ON RECOMMENDED SPENDING LEVELS

MAJOR NEW INITIATIVES

ENERGY

Advanced Nuclear Reactor Research and Development

On November 21, 1989, Senators Johnston and McClure introduced S. 1966, the "Advanced Nuclear Reactor Research, Development, and Demonstration Act of 1989". This bill is designed to focus existing programs in nuclear fission research at the Department of Energy and to establish new programs leading to the demonstration of advanced nuclear reactor concepts. The legislation would be the exclusive source of authorization for appropriations of funds to support activities of the Secretary of Energy for research, development, and demonstration of technologies for the generation of commercial electric power from nuclear fission. A limit of $100 million is authorized for these activities for fiscal year 1991.

Hydrogen Research and Development Act

The Committee may address S. 639, a bill to establish a hydrogen research and development program, during the remainder of the 101st Congress. The purpose of this legislation is to establish a five-year plan and program to accelerate hydrogen research and development with the goal of using hydrogen economically within the shortest time practicable, and establish a five-year plan for activities leading to a hydrogen-fueled aircraft capability within the shortest time practicable, and for other purposes.

It is expected that this legislation would have a budgetary impact in Fiscal Year 1991 of approximately $13 million.

Waste Isolation Pilot Plant

The Committee may consider legislation to permanently withdraw from the jurisdiction of the Department of the Interior certain lands in Eddy County, New Mexico and to place the lands under the jurisdiction of the Department of Energy for operation of the Waste Isolation Pilot Plant (WIPP). The WIPP is a deep underground repository for research and development on methods for disposal of transuranic radioactive wastes produced in the Department's nuclear weapons program. In the 100th Congress, the Committee reported S. 1272 (Senate Report 100-522) to provide for this land withdrawal. The bill was not considered by the full Senate. Withdrawal legislation is expected to be reintroduced in this Congress. The Administration may also submit legislation to Congress providing for the withdrawal of these lands.

The budgetary impacts of the legislation as reported by the Committee in the last Congress included the authorization of $200 million in fiscal year 1989 for the construction and upgrading of highways in New Mexico and an annual direct spending payment of $10.1 million to the State of New Mexico by the Secretary of the Interior for the next five years from the federal share of mineral leasing receipts.

If legislation is reported by the Committee to provide for this land withdrawal, it may have a budgetary impact in fiscal year 1991.

Metal Castings

The Committee is considering S. 775, a bill which requires the Department of Energy to provide funds for metal castings research. The purpose of the research is to improve the technology competitiveness of the metal castings industry. The metal castings industry is to match federal funds in conducting this research.

The bill does not contain 1991 spending authority for the Department of Energy. However, the Committee may amend the bill to authorize up to $20 million in FY 1991 for the conduct of this research.

High Performance Computing

The Committee is considering S. 1976, a bill which restructures the role the Department of Energy plays in high performance computing. High performance computing activities involve supercomputers, software, education and training of computer engineers, and networks. S. 1976 is part of a larger initiative to redefine the federal government's role in high performance computing.

If enacted, S. 1976 would have a budgetary impact in FY 1991. The bill would authorize $65 million in new budgetary authority in FY 1991 for the Department of Energy high performance computing activities.

Enlargement of the Strategic Petroleum Reserve (SPR)

The Committee will consider legislation (S. 2088) providing for a one billion barrel Strategic Petroleum Reserve. The Act creating the SPR authorized a billion barrel storage capacity, but current plans call for only 750 million barrels. The Committee may examine many policy options concerning expansion of the SPR and cannot estimate their budgetary impact at this time. It is unlikely, however, that any new legislation would significantly increase SPR spending above the current services level in FY 1991.

NATURAL RESOURCES

Tongass National Forest

The Committee notes that the Administration is requesting approximately $43.9 million for the Tongass Timber Supply Fund and an additional $23.4 million in general appropriations for the Tongass National Forest. Currently three Tongass reform measures are pending before the Committee, S. 237, S. 346, and H.R. 987. While the proposals take significantly different approaches, all three bills would repeal that portion of Section 705(a) of the Alaska National Interest Lands Conservation Act (ANILCA) which provides for a direct annual appropriation of $40 million for the Tongass Timber Supply Fund. It is likely that some form of a Tongass reform bill will pass the Congress this year, and such a measure is likely to contain a provision that would repeal the direct spending aspects of Section 705.

If the direct appropriation for the Tongass Timber Supply Fund is repealed, the Administration would include the Tongass within its general Forest Service budget request, as it now does for the other units of the National Forest System.

While the Committee has held hearings on these bills, it has not reported a Tongass reform measure and therefore does not take a position on the relative merits of any of these bills at this time.

American Heritage Trust Legislation

It is possible that the Committee will consider legislation which would create an American Heritage Trust Fund. This fund would be comprised of the existing Land and Water Conservation Fund and the Historic Preservation Fund. This legislation, which currently has 37 cosponsors in the Senate (S. 370), would establish a permanent, dedicated Federal fund that would produce $1 billion each year to help the federal government, the states and local communities preserve open space, historic sites and recreational opportunities nationwide. If such legislation is enacted, it would result in a significant increase in outlays and new direct spending authority for these purposes.

Oil and Gas Leasing in the Arctic National Wildlife Refuge (ANWR)

The Committee has reported legislation opening the Coastal Plain of ANWR in Alaska to oil and gas exploration, development and production (S. 684). While it is unlikely that this legislation will be enacted in the near future, when and if ANWR is opened to oil and gas exploration and development, the United States could receive significant revenues in the form of bonus bids, royalty, and rental payments from oil and gas lessees. The Committee notes that the Administration assumes that receipts will be available beginning in 1993. The Committee views such an assumption as overly optimistic.

Puerto Rico

The Committee has reported legislation (S. 712) to the Senate which would authorize the conduct of a referendum in Puerto Rico to determine whether Puerto Rico should become Independent, remain in its present relationship to the federal government, or be admitted as a State of the Union. The legislation is supported by the President and by the heads of all three political parties in Puerto Rico. While the referendum will occur in 1991, there could be effects on the budget beginning in fiscal year 1992, depending on the outcome of the referendum and the specific transitional provisions included in the final legislation.

DEFICIT REDUCTION PROPOSALS

The Committee observes that there is a small amount of direct spending under its control, and offers no new deficit reduction proposals at this time.

COMMENTS ON THE PRESIDENT'S BUDGET PROPOSALS

ENERGY

Nuclear Energy R&D Budget

The Committee is concerned about the continuing erosion of support for advanced civilian nuclear reactor research and development in the President's budget. Of the $357.7 million proposed for nuclear energy research and development, $78.5 million is provided for advanced light-water reactor R&D and for research on other advanced reactor concepts such as the high-temperature gas-cooled reactor and the liquid metal reactor. The remaining funds within the nuclear energy R&D budget are devoted to space and defense nuclear power systems, advanced nuclear systems, and for the maintenance of facilities. The percentage of funding within these areas that is devoted to civilian nuclear reactors has been continually declining, and the FY 1991 budget is no exception. The Committee is concerned that the current focus in many of these areas is not directly relevant to the mission of developing advanced civilian nuclear reactors.

The Committee is generally supportive of efforts to reduce unnecessary expenditures for the maintenance of facilities. The Committee notes that there is a reduction of $47 million in the President's FY 1991 budget for the maintenance of facilities. This $47 million reduction reflects the Department's plans to commence close-out of the Fast Flux Test Facility (FFTF) reactor starting in FY 1990. As its first step toward close-out of this facility, the Department has requested a reprogramming of $12.2 million in FY 1990 funds to initiate a transfer of Pu-238 production activities from FFTF to the Savannah River Plant.

While generally supportive of the Department's effort to reduce expenditures, the Committee notes that the Department's reprogramming request has already been rejected by the Subcommittee on Energy and Water Development of the House Appropriations Committee.

Uranium Enrichment Supply Activities

The Senate passed legislation (S. 83) to restructure the uranium enrichment program as a wholly-owned Government corporation on July 20, 1989. Enactment of this legislation in this Congress will place the uranium enrichment enterprise on a sound foundation and permit the enterprise to operate in today's highly competitive world market. Increased competition, both abroad and in the United States, makes restructuring the enrichment enterprise in a manner similar to S. 83 imperative. The increased competitive threat includes a private uranium enrichment venture that is planned for this country, and an attempt by the Soviets to gain a larger share of the U.S. market by selling enrichment services at prices that are less than half of DOE's price.

The President's budget proposes to divert $29 million of uranium enrichment revenues to the Treasury for deficit reduction. In addition, the budget proposes that $45.4 million of revenues be available for dividends/working capital should a restructuring proposal pass the Congress. In the event that restructuring legislation does not pass the Congress prior to October 1, 1990, all $74.4 million will be diverted from the enrichment program to the Treasury for deficit reduction.

It is the Committee's view that the sale of uranium enrichment services may eventually return revenues to the Treasury, but in its current state, the Department of Energy program cannot contribute substantially to deficit reduction and remain viable.

The Committee strongly opposes any attempt to divert any uranium enrichment revenues to the Treasury, for any purpose, until after the uranium enrichment industry is restructured by the enactment and implementation of S. 83, or its equivalent. Any additional revenues from the enrichment program should be used to increase the competitiveness of the current program. The Committee believes that short of restructuring, this would have the greatest effect on maximizing the value of the enterprise to the taxpayer in the future.

Reduction in Fossil Energy R&D

The Committee supports current services for fossil energy R&D. Once again, the Administration proposes large cuts in research and development in fossil energy ($215 million or 52%). In past years, Congress has added funds to the President's request for energy research and development in order to maintain a core capability for research. It is expected that this pattern will be repeated by this Congress.

Superconducting Super Collider

The President's request proposes spending $318 million in FY 1991 for the Superconducting Super Collider (SSC). Of this, $169 million is intended for construction activities at the proposed site in Texas. The total cost of the project is presently estimated at $5.9 billion in as-spent dollars. However, a recently completed design review has identified project cost increases of $1-2 billion. A substantial redesign effort may be required. The annual operating cost of the SSC when it commences operation after 1998 is estimated at $300 million, approximately one half of the current budget for all of high-energy physics.

The Committee is concerned that expenditures claimed by the SSC will inevitably be taken from many other worthy areas of scientific endeavor. The Department has never provided the Committee with a clear plan for funding the SSC in conjunction with these other important areas of fundamental research. The prospect of substantial cost increases for the SSC only emphasizes the need for such a plan.

Energy Conservation Grants

The President's budget proposes to eliminate appropriations for grant funding for the State and Local Assistance Programs (SLAP) on the basis that oil overcharge funds are available for this purpose. Oil overcharge funds are made available to the States under court judgements as compensation to citizens who were victims of oil price violations in the 1970's. The court judgements intend that the funds be used for various Federal and State energy programs.

Congress has opposed cuts below $200 million since 1986 in order to maintain "base-line" program activity to which oil overcharge, state, local and private funds are added. The Committee supports continuation of current services which provides for the four SLAP programs: Weatherization, Schools and Hospitals, Energy Extension Service, and State Energy Conservation Programs. The Committee intends that funds be distributed among these programs in the same proportion as funds were distributed in fiscal year 1986.

The Administration has requested $30 million for Federal administration to enhance the management and performance of these Conservation Grant programs. However, these funds are proposed to be derived from "excess" amounts deposited in the Petroleum Violations Escrow (PVE) account established pursuant to the Stripper Well Agreement. Although the Committee supports the proposed use of these funds, it objects to the use of the PVE account as their source. Instead, the Committee supports the continued use of the excess in the PVE account to supplement the appropriations for the conservation grants.

Global Climate Change

The Committee will consider legislation to establish a national energy policy to reduce the generation of carbon dioxide and greenhouse trace gases. The bill will focus primarily on least-cost energy planning, energy efficiency, innovative clean coal and renewable energy technologies, energy research and development initiatives, reforestation and natural resource management policies, and programs for natural gas research, development, and demonstration and related training programs.

S. 324, the National Energy Policy Act of 1989, was introduced by Senator Wirth and referred to the Full Committee. The budgetary impacts of the legislation include the authorization in fiscal year 1991 of $25 million for high efficiency heat engines; $10 million for hydrogen research and development; $5 million for the establishment of research centers for energy intensive industries; and $100 million for research, development, and demonstration of natural gas-fueled vehicles and for the establishment of training programs to convert gasoline- and diesel-fueled vehicles to natural gas.

The Committee, in general, supports the Bush Administration's request for increased funding for scientific research and technology development as a response to potential global climate change. The Committee is concerned, however, that proposed Administration funding levels for energy efficiency and non-nuclear renewable energy research and development programs that contribute to reductions in the generation of greenhouse gases, are below statutory FY 1990 appropriation levels. In addition, the Committee believes that FY 1991 appropriation levels supported by Congress for energy efficiency and non-nuclear renewable energy programs should be at least as high as FY 1990 appropriation levels.

Proposed Lease of the NPR

The Committee is concerned that the Administration's proposed lease of the Naval Petroleum Reserves (NPR) may not be prudent at this time. The production of NPR oil is providing, and will continue to provide, valuable revenues to the Government for years to come. Estimated revenues from NPR oil sales are $620 million in FY 1991. The Administration estimates that it could obtain a lease bonus of $1.6 billion spread over three years. Leasing the NPR would create a temporary decrease in the deficit, but would hamper future administrations in their efforts to match revenues and outlays.

There is a long history of Federal ownership of oil-producing lands both onshore and on the Outer Continental Shelf. The Committee notes that the NPR properties are part of a unitization agreement with private companies and that few of the operating decisions are made exclusively by the Federal government.

On several occasions Federal law has conditioned the authority to sell oil produced from the NPR Number 1 (Elk Hills) on the SPR being filled at no less than a specified fill rate. This has been an effective means of assuring that the SPR is filled as provided by law. Leasing of the NPR would remove that incentive.

Comment on SPR

With regard to the Strategic Petroleum Reserve (SPR), the Committee once again notes the Nation's rapidly increasing dependence on oil imports. The volume of oil in the SPR is often measured in terms of the number of days of protection it could provide the U.S. against a cut-off of imported oil. Measured in those terms, the SPR has been decreasing in size for the last five years, despite additions to the Reserve made in the face of a daunting fiscal environment. In short, the SPR fill rate isn't keeping up with the increases in U.S. net oil imports.

The Committee believes that broad national security concerns as well as international agreements require maintenance of a Strategic Petroleum Reserve capacity that provides 90 days of net imports. Given current trends in imports and fill rates, the SPR will shrink from about 80 days of import supply in 1989 to about 76 days of import supply in 1991.

The Administration proposes a fill rate of 59,000 barrels per day. The Committee supports an SPR fill rate of 75,000 b/d which is required by current law. Existing law provides that U.S. oil produced from the Elk Hills Naval Petroleum Reserve may not by in sold in FY 1991 unless the SPR is being filled at a rate of 75,000 barrels per day.

Power Marketing Administration Payments

The President's budget proposes once again to alter repayment practices of the Federal Power Marketing Administrations (PMAs) in order to generate additional revenues. The budget request would require annual refinancing of all outstanding PMA debt at current market interest rates. In addition, it would require a repayment schedule based on straight line amortization. In many cases, the Administration's proposal would raise PMA rates above the rates for other wholesale power alternatives with the result of reducing rather than increasing federal revenues. Moreover, there is great concern that such increase in rates would result in decreased employment in many areas being served by the PMAs, thus increasing costs to the government associated with the payment of miscellaneous unemployment and welfare benefits. The Committee believes that the Administration's repayment proposal is unworkable and inadvisable. The Committee does not oppose the sale for fair value of the Alaska Power Administration.

Environmental Cleanup/Waste Management of DOE Nuclear Facilities

The Committee supports the Administration's request for additional funds for environmental cleanup and waste management activities at the Department of Energy's nuclear facilities. The budget request of $2.79 billion will provide the necessary funding for activities under the Department's Five-Year Plan and will allow the Department to advance its commitments under existing environmental compliance agreements. The Committee believes that these activities are extremely important and that their significance justifies funding increases over current services.

NATURAL RESOURCES

Rural Abandoned Mine Reclamation Program (RAMP)

The Administration's proposal phases out RAMP with a decrease of $9.886 million and 91 Full Time Equivalents (FTEs) in 1991. According to the Department, the request of $2.114 million provides funding to complete ongoing projects. The FY 1990 appropriation was $12 million. The FY 1991 request is $2.114 million. The Committee recommends funding at the FY 1990 enacted level.

Small Operator Assistance Program (SOAP)

A decrease of $500,000 is proposed for FY 1991. The FY 1990 enacted level is $2 million. According to the Department, SOAP obligations in FY 1988 and FY 1989 were $1.6 million. The Committee believes that SOAP should be funded at the FY 1990 enacted level.

Mining Law Administration

The 1991 budget proposal includes the establishment of a $100 per claim annual holding fee to replace the requirement to perform $100 worth of annual assessment work pursuant to current law. The budget estimates holding fee receipts will be $97.5 million in FY 1991. Of this, $12 million will be used to fund the operation of the current Mining Law program and up to $7.5 million to offset the costs of administering the holding fee program, with the remaining $78 million to be deposited in the general Treasury. The Committee has not yet taken a position on this proposal, but notes that legislation would be needed to authorize the holding fee.

Oil and Gas Inspection and Enforcement

The FY 1991 budget request includes an increase of $447,000 for an additional 1,000 on-site inspections. The Committee believes that funding of $2 million is necessary to address the many problems identified in this program by recent studies.

Mineral Institutes

The FY 1991 request includes $4.3 million for the Mineral Institutes Program, a decrease of $5.6 from the 1990 appropriated level, but an increase of $4.3 million from the 1990 Administration request. The funding makes available research grants, but would eliminate state allotment grants for each Institute. The Committee recommends funding at the FY 1990 enacted level, and that the state allotment grant program be funded.

Generic Center for Respirable Dust

Funding for the Generic Mineral Technology Center for Respirable Dust is eliminated in the FY 1991 budget request. The Committee recommends the funding be continued at the FY 1990 enacted level of $2.5 million.

Receipts -- Coal Product Valuation Regulations

The FY 1991 budget estimates an increase in receipts of $43 million from proposed changes in coal product value guidelines. The Committee notes that the rule making these changes was proposed on February 13, 1990, and a final rule will not be published for approximately 6 months.

Coastal and Wetlands Processes

FY 1991 request includes a decrease of $3 million for coastal and wetlands processes studies. This decrease includes a reduction of $1 million in the ongoing Louisiana Wetlands Loss Study. The Committee believes this study should be funded at the FY 1990 enacted level.

Coal Availability Studies

Funding for coal availability studies in Kentucky, Virginia and West Virginia has been decreased by $1.056 million for FY 1991. The studies are aimed at delineation of potentially economic coal deposits in the United States, and the characterization of the use potential of specific coal deposits. The Committee believes that this program provides important information on the amount of U.S. coal reserves actually available for mining, and should be funded at $1.056 million.

Bureau of Reclamation

The Committee notes that the President again proposes to concentrate the Bureau of Reclamation's resources on construction projects substantially underway at the potential cost of decreasing funding for other projects. Last year the Congress modestly restructured funding priorities for the Bureau during the appropriations process, and similar action may again take place during consideration of the FY 1991 appropriations bill.

The Committee observes that the President has requested no funding for the Garrison Diversion Unit or Umatilla Basin Project. The Committee believes that these projects offer substantial economic and environmental benefits to their regions and the Nation and should be funded. The Garrison Diversion Unit, as reformulated, reflects a balance struck between the Nation's commitment to protect prairie pothole wetlands and North Dakota's legitimate expectation of water resource development pursuant to the Pick-Sloan Missouri Basin Program. The Umatilla Basin Project is a sensible, effective means to satisfy competing demands placed on the Umatilla River by fishery and agricultural interests and will encourage improved relations between the area's Indian and non-Indian populations.

The Committee notes with concern that, while the President has requested new funding for certain administrative computer systems, no additional funding has been requested to support development of a computerized database for reclamation repayment accounts. This information, the basis for tracking a substantial amount of debt owed the United States, is now maintained in a variety of formats scattered among various Bureau of Reclamation offices. The Committee believes that this information should be standardized and maintained in a central location. Development of a repayment accounts database may require a small increase in the Bureau's working capital fund.

America the Beautiful

The FY 1991 budget proposes a $630 million initiative entitled "America the Beautiful". This program includes land acquisition for national parks, wildlife refuges, forests and other public lands; a reforestation program; and a resource protection (maintenance/construction) component. While the Committee generally supports the goals of this initiative, it notes that, for the most part, America the Beautiful is not a new initiative but rather a "packaging and highlighting" of portions of existing programs and activities under a new name. Likewise, it should be pointed out that, with the exception of the tree planting proposal, the America the Beautiful initiative does not propose significant new funding but includes relatively small increases in spending over the baseline levels for several existing programs.

The budget request indicates that authorizing legislation will be transmitted to the Congress to implement the America the Beautiful program. The Committee reserves final judgement on the program until it can carefully review this legislation. The budget documentation suggests that this legislation will propose that funds for the America the Beautiful program would be deposited in a new account in the Treasury. It is not clear why a new account would be necessary. The establishment of such an account raises the possibility that funds might be spent using different criteria under this new program than would be the case under existing law. For example, federal land acquisition for parks, refuges and forests is currently funded through appropriations from the Land and Water Conservation Fund. Will land acquisition funds from this new account be spent in the same manner as provided by the existing Land and Water Conservation Fund legislation or are new criteria envisioned?

In short, it will be necessary to review the authorizing legislation carefully before the Committee can endorse all aspects of the America the Beautiful proposal.

As noted above, included in the America the Beautiful initiative is a request for $175 million to fund an ambitious tree planting program. $65 million would be directed toward urban communities with a goal of planting 30 million trees annually in the nation's nearly 40,000 cities, towns and communities. The remaining $110 million would provide cost-share tree planting and forest improvement programs with private landowners.

While the Committee generally supports the tree planting effort, it will be important to review the details of the legislation proposed before taking a final position. Additionally, it appears inconsistent with the proposed $40 million decrease in funds for the State and Private Forestry Program. Decreases are anticipated in almost all areas of the State and Private Forestry Program, including cooperative forest management, seedlings, nursery and tree improvement and urban forestry. The Committee is particularly concerned that no funds are being requested for insect and disease suppression. The Committee continues to support current service's funding for this program, particularly during a time when non-industrial private lands are beginning to play a more important part in meeting the nation's wood supply needs.

Forest Service Receipts

The Committee is concerned that the FY 1991 Forest Service budget assumes $10 million of additional recreation fee receipts for the next fiscal years. This assumption is predicated on the passage of legislation providing for the collection of additional recreation fees on National Forests System lands. No such proposal has been transmitted to the Committee this year. Since Forest Service fee proposals in the past have proven very controversial, the chance of enacting such legislation before the beginning of the next fiscal year appears unlikely.

Forest Service Programs

In recommending current service levels for Forest Service programs within its jurisdiction, the Committee concurs with the proposed increases for soil, water and air management, range management, and recreation. These programs have sustained cuts in recent years and these proposed increases are most welcome.

Below Cost Timber Sales

The Committee notes that the Administration proposes to test the implications of phasing out certain below-cost timber sales on national forests, to determine whether the economic impacts to local communities can be offset through expanded recreation programs. The test would evaluate 12 national forests, (9 administrative units) by eliminating additional investments in certain below-cost timber sales on these forests. Recreation on these 12 test forests will be expanded through additional investments and through increased authority to collect recreation fees, if special fee legislation is enacted.

Below-cost timber sales have been a source of great confusion and controversy for a number of years. Experts disagree on many aspects of the issue, including how to define a sale which is "below-cost", which accounting system best portrays below-cost sales, whether the benefits of below-cost sales to local economies outweigh the lower return to the Treasury, and whether resource uses are so integrated as to make it impossible to segregate those costs strictly associated with timber.

While the Committee supports and encourages the Administration's efforts to address this serious issue, it cannot fully support this experimental program until the authorizing legislation providing for the additional funds to the local communities is transmitted and considered by the Congress. As noted above, little progress has been made in the past in enacting new fee legislation for the Forest Service.

Land Acquisition and Historic Preservation

The Committee is pleased to note that for the first time since 1981, the Administration's budget proposes significant funding for federal land acquisition and for grants to the States from the Historic Preservation Fund. These requests are consistent with recommendations made in this Committee's "Views and Estimates" to the Budget Committee over the past several years.

The Committee does not agree, however, with the Administration's decision not to seek funding for the Land and Water Conservation Fund's state-grant program. There is a tremendous backlog of close-to-home outdoor recreation projects, many of them in urban and suburban areas, that would be funded through this program. Funds have not been requested for the state-side of the Land and Water Conservation Fund since FY 1982 in spite of a demonstrated need for such funds.

Territorial and International Affairs

During the past several months, the Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands were hit by hurricanes and typhoons. The island of St. Croix in the Virgin Islands was particularly hard hit by Hurricane Hugo. While the Committee expects to consider authorizations to assist in the reconstruction of the areas, we will also carefully consider some form of permanent authority to enable the Secretary of the Interior to respond quickly to future disasters and to supplement the assistance available from other agencies such as FEMA.

QUENTIN N BURDICK NORTH DAKOTA CHAIRMAN

DANIEL PATRICK MOYNIHAN NEW YORK
GEORGE J MITCHELL MAINE
MAX BAUCUS MONTANA
FRANK R LAUTENBERG NEW JERSEY
JOHN B BREAUX LOUISIANA
HARRY REID NEVADA
BOB GRAHAM FLORIDA
JOSEPH I LIEBERMAN CONNECTICUT

JOHN H CHAFEE RHODE ISLAND
ALAN K SIMPSON WYOMING
STEVE SYMMS IDAHO
DAVE DURENBERGER MINNESOTA
JOHN W WARNER VIRGINIA
JAMES M JEFFORDS VERMONT
GORDON J HUMPHREY NEW HAMPSHIRE

DAVID M STRAUSS STAFF DIRECTOR
ROBERT F HURLEY MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON DC 20510-6175

March 26, 1990

The Honorable James R. Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Chairman Sasser and Senator Domenici:

We are writing with recommendations for programs within the jurisdiction of the Committee on Environment and Public Works respecting fiscal year 1991 budget issues. As requested, our comments are directed to new initiatives before the Committee, savings proposals and proposals contained in the President's FY91 budget.

Environmental Protection Agency

Clean Air Act Amendments

As you are aware, the Committee has reported legislation to reauthorize the Clean Air Act and that measure (S. 1630) is currently being debated by the Senate. The President has requested an increase of $100 million to support implementation of Clean Air Act amendments which the Committee supports.

The substitute amendment before the Senate included several fee provisions which would help support state and EPA implementation of new requirements, including a $15 per ton emissions fee which the Congressional Budget Office estimates could result in $90 million of revenue annually beginning in 1993. In response to concerns raised by the Finance Committee, the Federal fee provisions have been stricken. We have agreed to work with the Finance Committee to include those provisions as part of a 1990 tax measure.

Asbestos in Schools

Funding for the grant and loan program under the Asbestos School Hazard Abatement Act of 1984 expires this year. Legislation is pending before the Committee to extend the authorization for five years at $250 million annually. We believe that extension and increase of the authorization over current levels is warranted to assist the schools least able to finance the implementation of their asbestos management plans. Schools began full implementation of the plans last summer and will continue to need assistance as they undertake activities set forth in their asbestos management plans.

Sewage Treatment

The FY91 request for the sewage treatment construction program administered by EPA is $1.6 billion, or $800 million short of the authorized level. This shortfall is significant since all funds this year are allocated to state revolving loan programs and are necessary to honor the commitment Congress made to states and municipalities in the 1987 Water Quality Act Amendments. As noted in our "views and estimates" in previous years, the multi-year phase out of the construction grant and loan fund will ultimately result in substantial savings to the federal government. $2.4 billion should be included in the FY91 budget resolution.

Water Quality

Nonpoint sources of water pollution contribute a substantial portion of pollution loadings to rivers, lakes, and marine waters. In response to the 1987 Clean Water Act amendments, States made a substantial investment in development of nonpoint pollution control plans. Over the past two years, forty State plans have been approved. The Clean Water Act authorizes $130 million in grants to assist in implementation of these plans. $37 million was appropriated last year and the President's budget for FY 91 includes, for the first time a budget request for the program of $14 million. It is our view that full funding for the program is essential if we are to respond to this serious water pollution problem and follow-through on our commitment to assist States in this effort.

Research and Development

Funding for EPA's research and development program is of critical concern. Measured against the FY80 administration request (exclusive of Superfund research) the budget request for FY91 is only $7 million more, unadjusted for inflation. During that time demands on the research program have grown substantially and the importance of long-term exploratory research has become apparent.

The EPA Science Advisory Committee reported to the Administrator in 1988 on the need to double EPA's research budget over a five year period. Subsequent EPA reports have confirmed the need for additional resources, including last December's report to the President under the Federal Manager's Financial Integrity Act, which observed that short-comings in EPA research facilities both pose health hazards to lab employees and interfere with the Agency's ability to carry out research mandates.

$450 million is requested for EPA's research program in FY91. We urge that an additional $200 million be allocated for this purpose.

Superfund

A primary consideration in analyzing the Superfund request for FY91 must continue to be compliance with legal obligations under the law. The legal obligation having the largest cost consequence is the cleanup schedules requirement under section 116 of the Superfund Amendments and Reauthorization Act of 1986 (SARA). Section 116 requires EPA within the final two years of the Reauthorization (FY 90, and FY 91) to begin new cleanup construction projects at a rate not less than one that will accomplish 200 such starts.

In March 8, 1990 testimony before the Senate Appropriations Subcommittee on VA, HUD-Independent Agencies, Administrator Reilly projected that under the President's budget request, EPA would likely start only 122 cleanups in the final two years of the Reauthorization, falling far short of the mandated 200 cleanups.

The disturbing bottom line is that EPA has submitted a budget that results in noncompliance with the law. It is worth noting that the Agency's current budget plan apparently exposes the Agency to a citizens suit for failure to comply with a nondiscretionary duty under the Superfund law.

Given the cost of initiating cleanup construction projects, to accomplish the additional cleanups for which EPA has not budgeted, would require a substantial increase above the President's request. We therefore recommend that the Budget Committee proceed with the assumption that at least the $1.74 billion requested by the President is necessary for FY 91. But given that such an amount will not result in compliance with the law, we recommend allocating even more for Superfund than was requested. We also recommend that the total allocation for Superfund include the remainder of authorized but still unappropriated general revenues, the appropriation of which was an important component of SARA's authorized level. Appropriation of authorized general revenues has no greater impact on the deficit than appropriating Trust Fund revenues, and is necessary to achieve the authorized funding levels. The recommended addition to Superfund should be based on the amount EPA determines is necessary to meet the mandated cleanup schedules under the law.

Emergency Planning and Community Right to Know

The Emergency Planning and Community Right to Know Act of 1986 (EPCRA) had two primary goals. The first goal was establishing at the federal, state, and local level mechanisms to prevent, plan for, and respond to chemical accidents. The second was the disclosure, collection, and dissemination of data on chemical releases into the land, water, and air by designated facilities. Despite the fact that National Response Center data shows that chemical accident reports have more than tripled since 1982, and despite a large projected increase in the number of pollution reporting forms that EPA must collect, process, quality assure, and publicly disseminate, the President's budget proposes an 11% decrease below the FY 90 current estimate for EPCRA. Such cuts would compromise efforts to enhance response to and prevention of chemical accidents, as well as efforts to provide accurate pollution data expeditiously to the public in user friendly form. We recommend that this program receive funding equal to the total of the current estimate and the still unobligated funds for workyears that were appropriated for EPCRA for FY 90, which would bring the program to about a $30 million level. We also recommend that increases beyond this level be considered to respond to increased workloads in the two primary components of the program, as well as associated increases for enforcement of the program.

Council on Environmental Quality

The Council on Environmental Quality is undergoing a period of growth and expansion. In addition to carrying out functions mandated under the National Environmental Policy Act, legislation pending before the Committee will charge the Council with greater responsibilities with respect to global environmental issues. The President has requested $2.8 million for the Council in FY91 $500,000 of which is to support environmental education awards. To support the increased activities set forth in S. 1089, the reauthorization legislation, we are recommending that $3.5 million be allocated for the Council in FY91.

U.S. Fish and Wildlife Service

Refuge Revenue Sharing Fund

The FY 1991 budget requests appropriation of $9 million for the Refuge Revenue Sharing Fund. This level of appropriations along with $3.6 million in receipts will provide only 74% of the total amount of payment due to counties with U.S. Fish and Wildlife Service lands. The continued failure to provide full refuge revenue sharing payments is damaging efforts to conserve valuable wildlife habitat and to maintain county services. Therefore, the budget resolution for FY91 should include an increase of $4.4 million over the President's proposal to provide full refuge revenue sharing payments.

Cooperative Endangered Species Conservation Fund

The FY91 budget request includes $5.7 million for matching grants to states under section 6 of the Endangered Species Act. Because this cooperative federal-state program is essential to the recovery of threatened and endangered species and to the implementation of the Act generally, Public Law 100-478 established a Cooperative Endangered Species Conservation Fund to provide greater federal assistance to the states. This increased assistance is badly needed. We urge you, therefore, to include in the budget resolution the $17 million provided by the Cooperative Endangered Species Conservation Fund in FY91. To do otherwise will prevent significant progress toward the Act's goals.

Conservation of Non-game Migratory Birds

Public Law 100-653 amended the Fish and Wildlife Conservation Act of 1980 to require the U.S. Fish and Wildlife Service to monitor the 757 species of non-game migratory birds; to study the effects of environmental changes on these birds; and to identify conservation actions to be undertaken to prevent them from having to be listed under the Endangered Species Act. In spite of this significant new statutory requirement, the FY91 budget request includes a decrease of $1.05 million for non-game migratory bird research and management. We urge instead that $2.0 million be provided in FY91 for these purposes. Prevention is far more effective and less expensive as a strategy for wildlife conservation than is the saving of species on the brink of extinction.

North American Wetlands Conservation Fund

We support the FY91 budget request for appropriations of $15 million for the North American Wetlands Conservation Fund. This level of funding, authorized by the North American Wetlands Conservation Act, is essential in order to provide adequate funding for conservation of wetland habitat for migratory birds and other fish and wildlife in North America. We urge that the budget resolution accommodate the President's request for this program.

Highways

Almost the entire Federal contribution to the Federal-aid highway program is financed by highway users through excise taxes on gasoline, diesel fuel, tires, truck sales, and other transportation-related items. The program is a prime example of user-fee financing. However, Federal budgetary constraints have kept the level of spending below annual income levels for several years.

According to the Congressional Budget Office, spending held constant in 1985 dollars has fallen each year for the past five years as shown in the following chart. The President's FY91 budget continues that downward trend.

FEDERAL-AID HIGHWAY PROGRAM OBLIGATIONS

(by fiscal year, millions of dollars)

	1985	1986	1987	1988	1989
Total Obligations, Nominal Dollars	14,120	14,299	12,915	13,186	13,623
Total Obligations, 1985 Dollars	14,120	13,932	12,216	12,100	11,991

At present, there is a checkbook balance of $10.5 billion in the Trust Fund's highway account. In FY90 and FY91, $13.5 and $13.6 billion respectively are expected in tax receipts to the highway account. In addition, interest payments to the highway account in FY90 and FY91 will amount to $1 billion each year. (An estimated $1.3 billion is anticipated in annual receipts to the Highway Trust Fund's transit account. That account currently has a balance of over $5 billion.)

The U.S. Department of Transportation's most recent highway and bridge needs report shows that a total of $25.1 to $28.8 billion per year is required to maintain 1985 system performance--or the status quo--on Federal-aid systems. Earlier this month, the Administration's transportation policy proposal, Moving America, was released. The report correctly observes: "No industry in the Nation is more important to U.S. economic growth and international competitiveness than transportation." And yet, DOT proposes shifting more of the costs to state and local governments and the private sector.

There has been a primary Federal role in public works--particularly transportation--since the early 19th century. A strong partnership exists among Federal, state, and local governments in funding highways and bridges; the current contribution of all funds spent on highways and bridges is 25-50-25 percent respectively. Adequate financing is not available to meet current needs. But we must put existing user fees to work on the construction and repair of our transportation infrastructure to the maximum extent possible.

The President's FY91 budget proposes an obligation limitation of $12.0 billion, a cut of 1.6 percent from last year's enacted level. Public Law 100-17 established an obligation ceiling of $12.35 billion and an outlay level of $13.5 billion for FY91. The National Governors' Association, the American Association of State Highway and Transportation Officials, and other national groups favor increasing the obligation ceiling to $15 billion per year and spending down the cash balance in the Trust Fund.

Legislation to reauthorize the highway, highway safety, and transit programs will be addressed next year. The Highway Trust Fund can support higher levels of spending for these important programs, the needs are escalating, and the Federal government has a long-standing responsibility to pay its share for the transportation system so essential to our nation's economic vitality. We strongly urge that the authorized level of spending--at a minimum--be honored.

Corps of Engineers

We believe that the environmental initiatives taken in the proposed budget for FY91 represent significant shifts in the Corps program toward environmental engineering. We strongly support these initiatives.

We are concerned, however, by the "no new starts" policy of the FY91 budget. As we stated last year, the reforms of the 1986 Water Resources Development Act only have meaning if they are used and applied to new water projects. Failure to do so only calls into question the viability of those reforms. We would support the initiation of a few new projects in FY91, provided that this is accomplished within existing budgetary guidelines.

We are aware of the Administration's proposals to extend the beneficiary pay principle to the Flood Plain Management Services Program and the Section 22 program for Planning Assistance to States; impose recreation user fees at Corps operated reservoirs; and increase the ad valorem fee on cargo loaded and unloaded at U.S. ports.

We intend to review these proposals in the context of hearings on a 1990 Water Resources Development Act. We believe that, if a proper definition of maintenance covered under the ad valorem fee increase proposal can be developed, the authority to utilize funds for 100% of such costs from the Harbor Maintenance Trust Fund will be included in the 1990 Water Resources Development Act. We would note, however, that the Finance Committee has jurisdiction over the raising of the level of the harbor fee itself.

General Services Administration

The President has requested $3.8 billion in new obligational authority for the General Services Administration's Federal Buildings Fund for fiscal year 1991. The Administration proposes to begin construction of five new courthouses in fiscal 1991 and to devote over half a billion dollars to the alteration and repair of buildings in the Federal inventory. The Judiciary is faced with a critical shortage of space, and the state of disrepair of many public buildings poses health and safety risks to Federal employees. We recommend full funding of the President's budget request for the Federal Buildings Fund.

In addition, the Office of Management and Budget (OMB) recently announced the Administration's intention to submit a supplemental budget request for fiscal year 1991 in order to begin construction of 12 much-needed public buildings projects. OMB indicated that the Administration will seek for fiscal year 1991 an additional $1.4 billion in budget authority and an additional $41 million in budget outlays over the amounts originally requested for the General Services Administration. We urge that adequate funds be included in the budget resolution to cover this anticipated request.

Federal Emergency Management Agency

The FY 91 $270 million request for the disaster assistance program is in keeping with previous budget requests. The disaster assistance program did receive additional appropriations in FY89 totaling $1.1 billion and in FY90 totaling $1.1 billion due to Hurricane Hugo and the Loma Prieta earthquake. This accounts for an artificially high baseline figure in FY91 for disaster assistance, but illustrates as well the potential demand for resources to respond to large disasters. We are supportive of the President's request for this program in the coming year, and have urged the administration to fill vacant leadership positions within the Agency to implement needed policy changes identified in the wake of Hurricane Hugo and the Loma Prieta earthquake.

Oil Spill Legislation

The Committee currently is participating in a conference to resolve differences between the comprehensive oil spill bills passed last year by the House and Senate. Implementation of this legislation, which is one of our highest priorities, will involve significant new expenditures from the Oil Spill Liability Trust Fund established by section 9509 of the Internal Revenue Code of 1986. We urge that the budget resolution provide for full implementation.

NRC User Fees

We are opposed to the proposal in the President's budget to recover 100% of the Nuclear Regulatory Commission's expenses through user fees. The issue of increased NRC fees has been addressed in the context of reconciliation legislation in 1985, 1987 and 1989. The Committee has consistently maintained during deliberations on these reconciliation bills that increases on the order of the Administration proposal are both impractical and inequitable. It would be impossible to reasonably relate the fees assessed to the services rendered and would be unfair to require those subject to regulation by the NRC to bear a burden that those regulated by other agencies are not required to meet. We are opposed to elevating NRC fees above the current level.

Finally, we observe that the Environment and Public Works Committee has made every effort through the years to do its share to reduce deficit spending and provide savings, where possible, to the Federal government. Past experience has shown that there are institutional and procedural constraints which limit the Committee's ability to attain savings unilaterally in most of our programs. We appreciate your careful consideration of this point as you develop the FY91 budget resolution, and your attention to our views and recommendations respecting programs in our jurisdiction.

Sincerely,

John H. Chafee Ranking Minority Member	Quentin N. Burdick Chairman

LLOYD BENTSEN, TEXAS, CHAIRMAN

SPARK M. MATSUNAGA, HAWAII
DANIEL PATRICK MOYNIHAN, NEW YORK
MAX BAUCUS, MONTANA
DAVID L. BOREN, OKLAHOMA
BILL BRADLEY, NEW JERSEY
GEORGE J. MITCHELL, MAINE
DAVID PRYOR, ARKANSAS
DONALD W. RIEGLE, JR., MICHIGAN
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
TOM DASCHLE, SOUTH DAKOTA

BOB PACKWOOD, OREGON
BOB DOLE, KANSAS
WILLIAM V. ROTH, JR., DELAWARE
JOHN C. DANFORTH, MISSOURI
JOHN H. CHAFEE, RHODE ISLAND
JOHN HEINZ, PENNSYLVANIA
DAVID DURENBERGER, MINNESOTA
WILLIAM L. ARMSTRONG, COLORADO
STEVE SYMMS, IDAHO

VANDA B. McMURTRY, STAFF DIRECTOR AND CHIEF COUNSEL
ED MIHALSKI, MINORITY CHIEF OF STAFF

United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

March 9, 1990

The Honorable
Jim Sasser, Chairman
Committee on the Budget
U.S. Senate
Washington, D.C.

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting to you the attached document presenting the views and estimates of the Committee on Finance with respect to the fiscal year 1991 budget. I am also enclosing a committee print which provides additional information on matters within the jurisdiction of the Committee on Finance.

Sincerely,

Lloyd Bentsen,
Chairman

March 9, 1990

Views and Estimates of the Committee on Finance With Respect to the Budget for Fiscal Year 1991

Overall budgetary situation.--Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Administration and the Congress are mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1993. In any given year, automatic cuts in spending levels will be triggered if the required deficit reduction has not been achieved as determined by the Office of Management and Budget. The President's budget for fiscal year 1991 projects a deficit which meets the target, but only if current policies (including appropriations) are changed sufficiently to reduce the disparity between spending and revenues by approximately $37 billion. The baseline estimates of the Congressional Budget Office would indicate that an even larger amount of deficit reduction ($97 billion) would be required to meet the goal of having a deficit for fiscal year 1991 which does not exceed $64 billion.

As the Committee with primary legislative responsibility for financing the operations of the Government, the Committee on Finance is keenly aware of the importance of reducing the massive deficits of recent years. At the same time, the Committee recognizes that Congress retains a responsibility to deal with the high priority needs of the nation, and many of the programs within Finance Committee jurisdiction are vital to the health and well-being of the citizens of this country.

It is clear, in any case, that effective action against the deficits requires cooperative efforts on the part of the Congress and the Administration.

Tax proposals.--Revenue increases should not play a significant role in meeting the important national goal of deficit reduction unless there is a broad consensus of a bipartisan nature in support of revenue changes which will be acceptable to both the Congress and the Administration. In developing a revenue target for the budget resolution, the Committee on the Budget needs to consider the realistic prospects for reaching such an accord. A particular revenue target cannot be attained simply because it was included in the President's budget on the basis of policy changes and tax increases which are favored by the Administration but which may have little support in Congress or which may be scored differently by Congress than by the Administration. There must be a willingness on all sides to negotiate in good faith towards the attainment of a proposed target. While the Administration's budget indicates revenue proposals of $13.9 billion, the Joint Committee on Taxation and the Congressional Budget Office have indicated that these proposals would raise only $9.4 billion. For example, the Administration proposes $3 billion of revenue increases through management reforms and improved enforcement by the Internal Revenue Service. These savings either will not be scored for Congressional Budget purposes or will not be attainable by Finance Committee action to the extent that they depend on increases in discretionary appropriations. The Committee expects that attainment of the revenue target adopted in the budget resolution will be the responsibility of the Finance Committee. Given this Committee's jurisdiction over revenue measures, the Budget Committee should not recommend deficit reduction targets which are based on the assumed enactment of revenue producing provisions in the guise of "user fees" to other than this Committee.

Medicare.--The Medicare program has over the past several years borne much of the burden of deficit reduction. While that program does represent a major element of Federal spending, it cannot continue to absorb major cutbacks without damaging the health care system in ways which will ultimately be harmful to the nation. The Committee will continue to review this program carefully to assure that it is operating on a fiscally sound and efficient basis. The Committee strongly recommends, however, that the Congressional budget for fiscal year 1991 not be based on any assumption of significant cutbacks in Medicare. Specifically, the Committee feels that the level of Medicare deficit reduction projected in the President's budget (over $5 billion in fiscal year 1991; close to $50 billion over fiscal years 1991-1995) exceeds the level that Congress will be willing to enact. It is difficult to see how the Medicare program can be expected to accommodate cuts at a level in excess of what would apply under a sequestration. The Budget Committee also needs to be careful about making unrealistic assumptions as to the achievement of savings in programs other than Medicare. For the reasons described in more detail below, there is no real flexibility to cut back on programs serving the basic income security and health needs of this country. Consequently, any outlay savings assumed by the Budget Committee in constructing the budget resolution and assigned to the Finance Committee will necessarily be translated into Medicare cutbacks even if the Budget Committee does not explicitly make that assumption.

Other Areas (including Social Security Act programs).--The programs established by the Social Security Act provide truly vital protection of fundamental economic and health security for the people of this nation. While the nation's economic health requires continued efforts to address the excessive deficits which are undermining our government's finances, the budget process is intended not simply as a blunt tool for budget cutting but rather as a careful instrument to enable Congress to rearrange priorities so as to target available resources on pressing national needs. This year's budget will need to accommodate initiatives begun in the last session for child care and child health tax credits. The Finance Committee believes that there continue to be other pressing needs in the areas served by Social Security Act programs. Accordingly, in developing the budget resolution, the Committee on the Budget should attempt to provide such resources as can be made available to permit the Finance Committee to continue to meet the health, income security, and social services needs of the nation's most vulnerable citizens, including children who are poor or disabled. The Committee recognizes that the uncertain overall budget situation makes it difficult at this time to pinpoint the exact amount of resources that can be made available for important initiatives of these types. Because of this situation, the Budget Committee should draw the budget resolution in such a way as to maximize the flexibility of the Finance Committee to address programmatic requirements to the extent that it is able to do so within the overall framework of the budget.

Customs / International Trade.--Because of the Uruguay Round and the drug war and the increasing importance of trade to our national welfare, the Committee has ordered reported legislation to increase authorization of appropriations and to stabilize the staffing for the U.S. Customs Service, the U.S. International Trade Commission and the Office of the U.S. Trade Representative beyond the levels provided for in the President's budget in fiscal years 1991 and 1992. The Committee has also reported favorably legislation making various technical and miscellaneous trade and tariff changes, as well as an extension of the Customs User Fee which, if enacted, will increase revenues.

Later in fiscal year 1991, it is to be expected that the Administration will propose legislation to reduce revenues arising under the customs laws by reason of trade negotiations. In particular, the Uruguay Round of Multilateral Trade Negotiations will probably result in an agreement to reduce U.S. rates of duty on a reciprocal basis with other countries. This revenue decrease may be offset by increased importing. Moreover, bilateral negotiations with the Soviet Union and other countries in Eastern Europe may result in significantly lower rates of duty on exports of these countries, although this would not greatly lower revenue because the current rates of duty on these countries are in many cases prohibitive.

Public Debt Limit.--The debt limit under existing law is set at $3.1227 trillion. In the absence of a significantly worsening economy, it appears that this level will not be exceeded by the end of fiscal year 1990. However, it is likely to be exceeded by the end of this calendar year. The budget resolution therefore will need to assume an increase in the debt limit for fiscal year 1991. The level of increase in the debt limit will depend on the exact nature of the budgetary plan for that year.

Reconciliation.--The Congressional budget process was designed to enhance the ability of Congress to set and enact budgetary priorities. In the past, the reconciliation procedures have proven to be a useful tool to help the Congress implement a rearrangement of budgetary priorities in accord with the overall plan adopted in the budget resolution. The usefulness of reconciliation, however, may be compromised if Committees do not have the flexibility to use it to address high priority needs without abusing the reconciliation process. Clearly, reconciliation acts should not be used as a means of implementing controversial legislation unrelated to the budgetary objective of setting Congressional priorities within the framework of the budget resolution. However, current Senate rules, applied on a case-by-case basis, provide protection against abuse of the reconciliation process. In dealing with its responsibilities under the Budget process, the Finance Committee, in consultation with the Budget Committee, may need to consider avenues other than reconciliation.

Summary.--As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other Committees of the Senate. We must emphasize, however, that the Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to any specific set of options.

101st Congress
2d Session

COMMITTEE PRINT

S. Prt.
101-82

Data and Materials for the

Fiscal Year 1991 Finance Committee Report

Under the

Congressional Budget Act

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

Lloyd Bentsen, *Chairman*

FEBRUARY 1990

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE
26-613
WASHINGTON : 1990

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

COMMITTEE ON FINANCE

LLOYD BENTSEN, Texas, *Chairman*

SPARK M. MATSUNAGA, Hawaii
DANIEL PATRICK MOYNIHAN, New York
MAX BAUCUS, Montana
DAVID L. BOREN, Oklahoma
BILL BRADLEY, New Jersey
GEORGE J. MITCHELL, Maine
DAVID PRYOR, Arkansas
DONALD W. RIEGLE, Jr., Michigan
JOHN D. ROCKEFELLER IV, West Virginia
TOM DASCHLE, South Dakota

BOB PACKWOOD, Oregon
BOB DOLE, Kansas
WILLIAM V. ROTH, Jr., Delaware
JOHN C. DANFORTH, Missouri
JOHN H. CHAFEE, Rhode Island
JOHN HEINZ, Pennsylvania
DAVE DURENBERGER, Minnesota
WILLIAM L. ARMSTRONG, Colorado
STEVE SYMMS, Idaho

Vanda B. McMurtry, *Staff Director and Chief Counsel*
Edmund J. Mihalski, *Minority Chief of Staff*

CONTENTS

Page

Summary: Impact of Congressional Budget Process on Finance Committee 1

The budget process:

1. Key Concepts 2
2. Outline of Congressional Budget Process 5
3. Waiver of Rules Regarding Budget Procedure 5

4. Impact of the Budget Act on Finance Committee:

Legislation which results in additional Federal spending 6
Legislation relating to revenues and debt limit 8

Charts and descriptons:

Chart 1.—Report to Budget Committee 12
Chart 2.—Economic assumptions 14
Chart 3.—The overall budget 16
Chart 4.—Federal Spending: Role of Finance Committee programs 18
Chart 5.—Major expenditure programs under Finance Committee jurisdiction 20
Chart 6.—Social Security cash benefit (OASDI): Financial Status and relationship to the budget 22
Chart 7.—Unemployment compensation 27
Chart 8.—Welfare programs for families 32
Chart 9.—Earned income tax credit 42
Chart 10.—Social services 46
Chart 11.—Child care 48
Chart 12.—Supplemental security income 54
Chart 13.—Health programs: Current spending 58
Chart 14.—Health programs: Administration proposals 64
Chart 15.—Interest 80
Chart 16.—Trade adjustment; customs user fees: Administration proposals 82
Chart 17.—Tax revenues under present law 86
Chart 18.—Description of Bush administration proposals on receipts 89
Chart 19.—Tax expenditures 96
Chart 20.—Debt limit 98
Appendix A—Committee on Finance Reports to the Budget Committee with respect to fiscal year 1990 101
Appendix B—Excerpt from the Congressional Budget and Impoundment Control Act of 1974, as amended 109
Appendix C—Budget Act points of order in the Senate 137
Appendix D—The Byrd rule on extraneous matter in reconciliation legislation 141
Appendix E—Tax Expenditures by Function (Excerpt from the budget of the United States Government for fiscal year 1991) 147
Appendix F—Outlays under Finance Committee expenditure accounts for fiscal 1991-1993 (CBO baseline projections—in millions of dollars) 153

SUMMARY: IMPACT OF CONGRESSIONAL BUDGET PROCESS ON FINANCE COMMITTEE

The Congressional Budget Act of 1974 (titles I–IX of Public Law 93–344) established the mechanisms and procedures for Congress to develop its own annual Federal budget and to consider spending, revenue, and debt limit legislation in the context of that budget. The original budget act was substantially amended by Public Law 99–177, the Balanced Budget and Emergency Deficit Control Act of 1985 (also known as the Gramm-Rudman-Hollings Act), and by Public Law 100–119, the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

In addition to revising the budget act, the 1985 and 1987 amendments set up temporary procedures designed to assure the attainment of a balanced budget by fiscal year 1993. For each fiscal year between now and FY 1993, the Act establishes maximum deficit amounts as follows: FY91 $64 billion; FY92 $28 billion. A $10 billion tolerance level is established for each of these years. For FY93, the act specifies a zero deficit as the maximum deficit amount and provides no tolerance. If Congress fails to meet the specified goal for any of these years, an automatic deficit reduction procedure (called "sequestration") will go into effect.

The Congressional Budget Act, as amended, has a number of effects on the consideration of legislation handled by the Committee on Finance. Major provisions affecting the Committee include:

1. *Letter to Budget Committee.*—By February 25 of each year, the Finance Committee must submit a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, and the debt limit during the next fiscal year, and presenting the Committee's views and estimates with respect to such expenditures, revenues, and the debt limit. For the current year, the deadline for submitting this report has been extended to March 9 to allow additional time to consider the budget submissions of the Administration. (The report submitted for the 1st Session of the 101st Congress appears as Appendix A of this document.)

2. *Timing restrictions on tax and spending bills.*—Certain kinds of legislation may not be considered prior to the adoption by Congress of the Budget Resolution. This restriction applies to most of the legislation considered by the Finance Committee: revenue and debt limit changes for the upcoming fiscal year and legislation increasing expenditures in such areas as social security and welfare.

3. *Budget allocation reports.*—After the adoption of a budget resolution by the Congress, the Finance Committee is required to file an allocation report showing how the aggregate spending authority assumed in the budget resolution for all Finance Committee programs will be subdivided. This subdivision can be by program or by

subcommittee. A point of order will lie against any bill or amendment affecting Finance Committee spending program jurisdiction if the allocation report has not been filed or if it is inconsistent with the proposed legislation. Also, for non-trust fund entitlement programs, bills reported from the Finance Committee could be subject to 15-day referrals to the Appropriations Committee if they have not been provided for in an allocation report. As it acts on legislation throughout the year, the Committee can file revised allocation reports.

4. Resolution totals binding.—By April 15, Congress is required to complete action on the concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. For the duration of the Gramm-Rudman-Hollings legislation, the budget resolution must set a deficit which is no greater (but can be smaller) than the Gramm-Rudman-Hollings maximum deficit amounts described above. After the resolution is adopted, points of order can be raised against bills or amendments which would cause its overall spending ceiling to be exceeded, or would cause revenues to fall below its revenue floor, or would cause the Gramm-Rudman-Hollings maximum deficit amount to be breached.

5. Reconciliation.—The budget resolution can require the Finance Committee to report "reconciliation" legislation by a specified date to raise taxes or cut back on spending programs within the committee's jurisdiction. Such legislation is considered under special procedures which establish automatic time limits for consideration and prohibit nongermane amendments. The Budget Act schedule calls for Congress to complete action on reconciliation legislation by June 15.

6. Sequestration.—If the overall impact of spending and revenue legislation enacted by Congress and the President does not reduce the deficit sufficiently to meet the Gramm-Rudman-Hollings target (with the $10 billion tolerance), a "sequestration process is triggered under which nonexempt spending programs are reduced by amounts sufficient to bring the deficit down to the target (without any tolerance). Half the savings must come from domestic programs and half from defense. Within each category, all non-exempt programs must be uniformly reduced. For the most part, entitlement programs are exempt from sequestration although Medicare payments would be reduced by not more than 2 percent. The decision as to whether a sequestration is required is made by the Director of OMB based on the situation prevailing on October 15.

THE BUDGET PROCESS

1. Key Concepts

Federal Budget.—There are two separate and distinct Federal budgets: the President's budget and the Congressional budget.

In early January of each year, the President submits to the Congress his budget plan for the fiscal year which will start on the following October 1. The President's budget not only sets forth the overall levels of spending and revenues that he recommends but also contains a detailed listing of how much he estimates and proposes for each individual program of government.

The Congressional budget is a concurrent resolution reported from the House and Senate Budget Committees and adopted by the Congress. Unlike the President's budget, it does not include detailed programmatic budget levels. Instead it establishes overall budget aggregates: total revenues, total outlays, total budget authority. The budget resolution does include a breakdown of the spending totals by broad functional categories such as "national defense," "agriculture," etc., but these are not binding.

Both the President's budget and the congressional budget are essentially planning documents designed to guide the Congress as it works on the separate pieces of legislation (tax, entitlement, and appropriations bills) which actually determine the amount of Federal spending and revenues and the extent of budgetary deficit or surplus.

Baseline.—Both the President's budget and the Congressional budget set forth plans as to what the ultimate levels of taxes, spending, and deficit or surplus should be for the fiscal year after the impact of any legislative changes which may be enacted. In order to determine how much of a change in law or policy is required to reach the budgetary goals, it is necessary to compare the budget plan with a "baseline" budget which represents the continuation of current law and policy. A baseline would generally assume continuation of entitlement programs and revenue laws without substantive change and the enactment of discretionary appropriations at a level which permits the continuation of existing policies. Ordinarily, in order to construct a baseline that represents a continuation of existing policy, an inflation factor would be applied to discretionary appropriations. At the present time, the budget process uses three different baselines: the CBO baseline which projects spending and revenues using CBO's own economic and technical assumptions, the OMB "current services" baseline which employs the Administration's economic and technical assumptions, and the Gramm-Rudman-Hollings baseline. The GRH baseline is similar to the OMB "current services" baseline, but it follows certain statutory specification in the GRH legislation and is used to determine how much deficit reduction is needed to avoid sequestration.

BASELINE FOR FISCAL YEAR 1991

[In billions of dollars]

	Baseline deficit	Required deficit reduction	
		to meet target	to avoid sequester
CBO baseline	138	74	64
OMB current services/adjusted GRH baseline	101	37	27
GRH baseline	[1] 85	21	11

---

[1] The GRH baseline calculation does not assume reauthorization of the Food Stamp program as well as other probable changes and is therefore somewhat misleading as an indication of required deficit reduction.

Spending Authority.—Federal laws which control the expenditure of Federal funds can be generically referred to as "spending authority." Some of the more significant types of spending authority are:

DISCRETIONARY APPROPRIATIONS

> For many programs, the amount of spending is controlled by the annual appropriations process. This is the case with respect to the administrative costs of Federal agencies such as IRS, the Social Security Administration, and the Customs Bureau. For most Finance Committee programs, however, actual programmatic costs are not controlled by annual appropriations acts. (Exceptions to this rule are the Child Welfare Services program and the Maternal and Child Health program.)

ENTITLEMENTS

> In general, most Finance Committee spending programs are entitlements. From a budgetary perspective, this means that the actual control of spending levels is exercised by the substantive legislation under the jurisdiction of this Committee rather than by annual appropriations acts. There are two types of entitlements: direct spending entitlements such as social security which do not require annual appropriations because their funding is based on a permanent appropriation and "appropriated entitlements" such as Medicaid and the program of aid to families with dependent children. The costs of these programs are controlled by the substantive legislation, but their funding is nevertheless included, as a mandatory or nondiscretionary item, in annual appropriations bills.

Outlays.—Although Congress exercises control over spending by enacting, modifying, or repealing various forms of "spending authority, the annual deficit or surplus is determined by comparing revenues and outlays. Outlays take place when the spending authority actually results in the expenditure of funds. In some programs (for example, defense procurement activities), there can be major differences between spending authority and outlays. For practical purposes, however, Finance Committee programs are assumed to have annual outlays equal to annual spending authority (which is not the same as "budget authority").

Treatment of Social Security and Medicare.—Public Laws 98-21 and 99-177 established special rules for the budgetary treatment of the Old-age, Survivors, and Disability Insurance (OASDI) and the Hospital Insurance (HI) programs. Effective starting in FY 1993 for HI and effective starting with FY 1986 for the OASDI program, current law requires that the expenditures and revenues of these programs be excluded in computing budgetary totals for purposes of both the President's budget and the Congressional Budget. At the same time, however, the Gramm-Rudman-Hollings statute specifies that the income and outgo of the OASDI program is to be included in determining whether or not the GRH targets are met. Since the current budget process focuses heavily on the attainment of the GRH targets, most budgetary displays show combined (or "unified") totals which include the impact of social security. Strictly speaking, however, OASDI is "off-budget."

In addition, the Budget Act provides that reconciliation legislation will be subject to a point of order if it includes any provisions affecting the OASDI program.

2. Outline of Congressional Budget Process

By April 1 of each year, the Senate Budget Committee is required to report to the Senate a concurrent resolution which is, in effect, a congressional budget document setting forth appropriate levels of spending, revenues, and public debt for the coming fiscal year. The spending levels are, for informational purposes, broken down into broad functional categories (such as "health," "income security," "national defense"). The recommendations in the resolution reported by the Budget Committee are subject to debate and amendment.

When agreed to by the House and the Senate (which is required to happen by April 15), the budget resolution represents congressional judgment of the appropriate fiscal situation for the coming year. The resolution is intended to guide the development of legislation providing for taxes and spending, and such legislation can be subject to points of order if it is inconsistent with meeting the overall revenue and spending totals in the resolution.

The budget resolution also may include "reconciliation" instructions to direct the appropriate committees to report legislation changing spending, revenue, or debt limit levels. Upon adoption by Congress of the resolution, committees affected by such instructions must report legislation meeting the spending or revenue totals in the instructions. This legislation is then debated by Congress as part of a reconciliation bill under special expedited procedures. Action on this reconciliation bill is to be completed by June 15.

3. Waiver of Rules Regarding Budget Procedure

Some of the rules applicable to Senate procedures under the Congressional Budget Act can be waived by a majority vote of the Senate. Others require a vote of three-fifths of the full Senate membership (60 votes). In addition, the act includes a special waiver procedure in connection with the provisions requiring that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on before the adoption of the budget resolution. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for waiver of the rule. This resolution would be referred to the Budget Committee, which would have 10 days in which to consider and make its recommendations with respect to the waiver. Once the resolution is reported by the Budget Committee (or after 10 days in any case), the resolution of waiver would be voted on by the Senate. If it were approved, the Senate could then proceed to consider the legislation.

4. Impact of the Budget Act on Finance Committee

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the concurrent resolution on the budget, each committee is required to make a report to the Budget Committee presenting its views and estimates concerning spending under its jurisdiction during the coming fiscal year (and the following two fiscal years). By statute this report is due no later than February 25. This year the reporting date has been postponed to March 9.

Allocation report after adoption of budget resolution.—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the House of Representatives, to subdivide its allocation of new budget authority and outlays among the programs under its jurisdiction or among its subcommittees. These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution. Bills and amendments involving spending may not be considered until the committee with jurisdiction over that spending program has filed its allocation report, and points of order may be raised against bills or amendments which are not accommodated in these allocation reports.

Limitation on consideration of spending bills.—The Congressional Budget Act provides that bills involving appropriated entitlement programs (such as welfare or Medicaid) and bills directly increasing spending authority (such as social security or unemployment insurance) may not be considered in the Senate prior to the adoption of the concurrent budget resolution. This requirement may be waived under the special waiver procedure or by a majority vote of the Senate to suspend this rule. In addition, entitlement legislation (other than trust fund legislation) reported after January 1 of any year may not have an effective date prior to October 1 of that year.

Impact of concurrent budget resolutions on legislation.—The concurrent resolution, which is to be passed by April 15, not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report reconciliation legislation to rescind previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on Finance, in order to meet such a requirement that the committee could report legislation to defer or reduce benefits under entitlement programs, including both trust fund programs (such as unemployment insurance or Medicare) and non-trust-fund programs (such as welfare, social services or Medicaid). Reconciliation legislation may not include changes in the Social Security programs of Old-Age, Survivors and Disability Insurance (OASDI).

After the adoption of the budget resolution for a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution to be exceeded or would cause the deficit for the fiscal year to exceed the maximum deficit amount. In the case of the

Committee on Finance, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new or revised budget resolution could, however, be passed to authorize such additional spending, or the rule could be waived by a three-fifths vote of the Senate.)

The budget totals included in the resolution are mandatory, establishing firm guidelines within which the Congress considers legislation affecting spending. Thus, if unrealistic assumptions or objectives are used in setting the budget resolution totals, committees may subsequently find their ability to act on desired legislation impaired.

Appropriations Committee review of certain entitlement bills.—Legislation in such areas as supplemental security income, welfare, social services, or Medicaid creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriations acts. The Congressional Budget Act requires that any future legislation which would create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is reported by the substantive committee, if its enactment would exceed the amount provided for in the committee's allocation of its spending authority under the most recent budget resolution. The Appropriations Committee could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such an amendment is approved by the Senate, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit.

The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues. It would also not apply to legislation amending or extending the general revenue sharing program to the extent that such legislation included an exemption from that requirement.

In the past, refundable tax credits were treated for purposes of the congressional budget process as revenue reductions. Under revised procedures adopted in 1978, the budget process now treats the refundable aspects of such credits as "outlays" thus bringing them within the scope of the above described provisions related to Appropriations Committee review of entitlement bills. In addition, the authority previously used for disbursing the refundable part of tax credits has been the permanent appropriation for tax refunds. This permanent appropriation was amended in 1978 so as to require annual appropriations for this purpose in the case of any new programs of this type which may be enacted.

Report on spending legislation.—The Budget Act requires the committee, in reporting legislation involving increased spending, to include in the report information showing how that spending compares with the amount of spending provided for in the most recent budget resolution. In addition, if this information is provided by the Congressional Budget Office (CBO) on a timely basis, the report must also include CBO projections showing the extent to which the legislation provides financial aid to States and localities and a projection for five fiscal years of the spending which will result from the legislation. This requirement also applies to conference reports, if the information is provided by CBO on a timely basis.

LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

Annual report to the Budget Committee.—The annual report to the Budget Committee which is described above also must, in the case of the Finance Committee, present its views and estimates with regard to revenues and the debt limit.

No revenue legislation prior to adoption of the budget resolution.—Under the Budget Act, debt limit or revenue legislation for the upcoming fiscal year is not in order for consideration by the Senate (or House) prior to the adoption of the resolution on the budget. This rule does not prevent action on revenue changes to be effective in years after the upcoming fiscal year. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the Senate.)

The wording of this provision of the Budget Act is not entirely clear. In 1978, the Senate Budget Committee adopted the position that this restriction required that there be no increase or decrease in revenues to become effective in the next fiscal year for which no budget resolution had been adopted. In other words, under this interpretation, there would always be one "closed year" for which no revenue change could be considered. Consequently, a point of order was raised during the consideration of the 1978 tax cut bill (H.R. 13511) against an amendment by Senator Roth on the grounds that it provided for a revenue change effective in fiscal year 1980. (The first budget resolution for fiscal year 1980 would not have been adopted until approximately May 15, 1979.) The position of the Finance Committee was that this restriction in the Budget Act only applied from the beginning of the calendar year, when the process of developing the fiscal 1980 budget resolution has begun. Once that resolution has been approved, revenue changes may be considered throughout the remainder of the calendar year which would be effective for the fiscal year to which the resolution applies and for any future fiscal year.

The point of order raised by the Budget Committee was sustained by the Chair, but the ruling of the Chair was overturned by the Senate on a vote of 38 to 48. This occurred on October 5, 1978.

Impact of a budget resolution.—As with spending measures, the concurrent resolution adopted in mid-April sets mandatory levels for revenue and debt limit legislation, and may direct the Committee on Finance to report reconciliation legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determined to be appropriate. Such legislation would have to be reported in time to be included in the reconciliation bill which is to be acted upon by June 15.

Once a budget resolution is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the levels specified in the budget resolution would be subject to a point of order. If the budget resolution sets a revenue target which exactly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having nearly negligible revenue impacts can be rejected on a point of order. If the resolution includes goals based on unrealistic assumptions about revenue increases, the committee will face points of order against the consideration of any revenue reducing legislation.

Required report on tax expenditures.—The Budget Act defines the term "tax expenditures" to include any revenue losses attributable to tax provisions such as income exclusions, tax credits or deferrals, or preferential tax rates. The law requires that the committee report accompanying legislation to provide new or increased tax expenditures include a projection by CBO (if timely received) as to how such legislation will affect the level of tax expenditures under existing law. The report will also have to include (to the extent practicable) a projection of the tax expenditures resulting from the legislation over a period of five years. This requirement also applies to conference reports.

CHARTS AND DESCRIPTIONS

Chart 1

Report to Budget Committee

Views and estimates of Finance Committee on:

1. Expenditures
2. Revenues
3. Tax expenditures
4. Public Debt

Relating both to existing law and proposals to change existing law

Chart 1

Report to Budget Committee

Under the Congressional Budget Act of 1974, as amended, the Committee on the Budget is required by April 1 of each year to report to the Senate a concurrent resolution on the budget which is, in effect, a proposed congressional budget document setting forth appropriate levels of Federal expenditure and revenue, surplus or deficit, and related matters. To assist the Budget Committee in making the judgments necessary to develop such a budget, the Act also mandates that each committee send to the Budget Committee its views and estimates on those aspects of the budget which fall within its jurisdiction. This report is due by February 25 of each year. For 1990, this deadline has been changed to March 9.

In the case of the Committee on Finance, the report to the Budget Committee must cover the expenditure programs under Finance Committee jurisdiction which are listed on chart 5, Federal revenues, tax expenditures, and the public debt. With respect to each of these matters, the committee is required to provide its views and estimates as to the levels anticipated under existing law or under any changes to existing law which the committee expects. The period to be covered by the report to the Budget Committee is fiscal year 1991 (and for planning purposes, fiscal years 1992 and 1993). The report sent to the Budget Committee in 1989 is reprinted in Appendix A.

Section 301(c) of the Budget Act, which deals with the February 25 report to the Budget Committee, is included in the excerpts from that Act which appear in Appendix B.

Chart 2.—ECONOMIC ASSUMPTIONS

[Calendar years; dollars in billions]

	1990		1991		1992		1993	
	CBO	OMB	CBO	OMB	CBO	OMB	CBO	OMB
Gross National Product (GNP):								
Current dollars	5,534	5,583	5,893	6,002	6,279	6,439	6,688	6,881
Percent change in real GNP	1.7	2.4	2.4	3.2	2.5	3.2	2.5	3.1
Wages and salaries	2,795	2,805	2,975	3,022	3,168	3,246	3,377	3,469
Other personal income	1,886	1,896	2,001	2,017	2,123	2,138	2,253	2,261
Corporate profits	320	360	356	421	371	472	386	515
Percent change in CPI	4.0	3.9	4.3	4.0	4.3	3.9	4.3	3.6
Unemployment rate, total (percent)	5.6	5.4	5.5	5.3	5.5	5.2	5.5	5.1
Treasury bill rate, 91-day (percent)	6.9	6.7	7.2	5.4	6.9	5.3	6.1	5.0

Chart 2

Economic Assumptions

Both the overall budget totals and the budgetary impact of legislative proposals can be significantly affected by various economic factors concerning which there reasonably may be differences of opinion. These differences can reflect divergent viewpoints as to how the economy will operate and as to the type of legislation that may be enacted and its effect on the operations of the economy.

Different programs are particularly sensitive to different aspects of the economy. For example, expenditures under social security are sensitive to the Consumer Price Index (CPI) since that program includes an automatic cost-of-living increase provision. The unemployment insurance program does not incorporate such a provision but is, of course, particularly sensitive to the amount of unemployment.

Revenues, similarly, are strongly affected by the level of personal income and of corporate profits, and, in the case of payroll tax revenues, by wages and salaries. In addition, trends in interest rates, the rate of inflation, and the size of the budget deficit affect the cost of interest on the public debt.

In developing the Congressional budget, the Congress has most frequently used the economic assumptions of the Congressional Budget Office. In as much as the Gramm-Rudman-Hollings legislation is based upon determinations made by the Office of Management and Budget (OMB), the Congress in 1989 used the OMB economic assumptions which were the basis for the President's budget. This chart shows the major economic assumptions underlying the budget as submitted by President Bush in January and also those which have been adopted by CBO. In general, the CBO assumptions project somewhat slower economic growth, higher inflation and interest rates, and higher unemployment levels.

Chart 3.—THE OVERALL BUDGET

[In billions of dollars]

	CBO Baseline			OMB current services			President's Budget		
	FY91	FY92	FY93	FY91	FY92	FY93	FY91	FY92	FY93
Budget:									
Outlays	1,041	1,095	1,163	1,007	1,046	1,089	997	1,026	1,067
Revenues	828	874	924	845	901	963	856	909	966
Deficit	−212	−221	−239	−162	−145	−126	−142	−118	−102
Social Security:									
Outlays	234	244	254	234	244	255	236	245	255
Revenues	309	330	352	312	334	361	315	337	362
Surplus	74	85	98	78	90	106	79	92	107
"Gramm-Rudman-Hollings":									
Deficit	−138	−138	−135	−101	−73	−39	−63	−25	6
Target	−64	−28	0	−64	−28	0	−64	−28	0
Difference	74	110	135	37	45	39	+1	+3	+6

Chart 3

The Overall Budget

In considering its legislative plans for the upcoming year, the Committee may find it useful to look at the overall budget totals under a continuation of current tax and spending policies and also under the budget proposed by the President.

Because of differing economic and technical assumptions, OMB and CBO project somewhat different budgetary totals under a continuation of current policies. For fiscal year 1991, the CBO projection would indicate a need for $74 billion in deficit reduction in order to meet the $64 billion deficit required by the Emergency Deficit Reduction and Budget Control Act ("Gramm-Rudman-Hollings"). The OMB current services projections would show a need for $37 billion in deficit reduction to meet that target.

Present law requires that the income and outlays of the social security cash benefit trust fund programs be excluded from the budget totals. However, these items are added back in to determine whether or not the "Gramm-Rudman-Hollings" targets are met.

This chart shows the overall budget totals under the budget submitted by the President and also under a continuation of current policy as estimated in the CBO baseline and in the OMB current services budgets.

Chart 4
FEDERAL SPENDING
Role of Finance Committee Programs

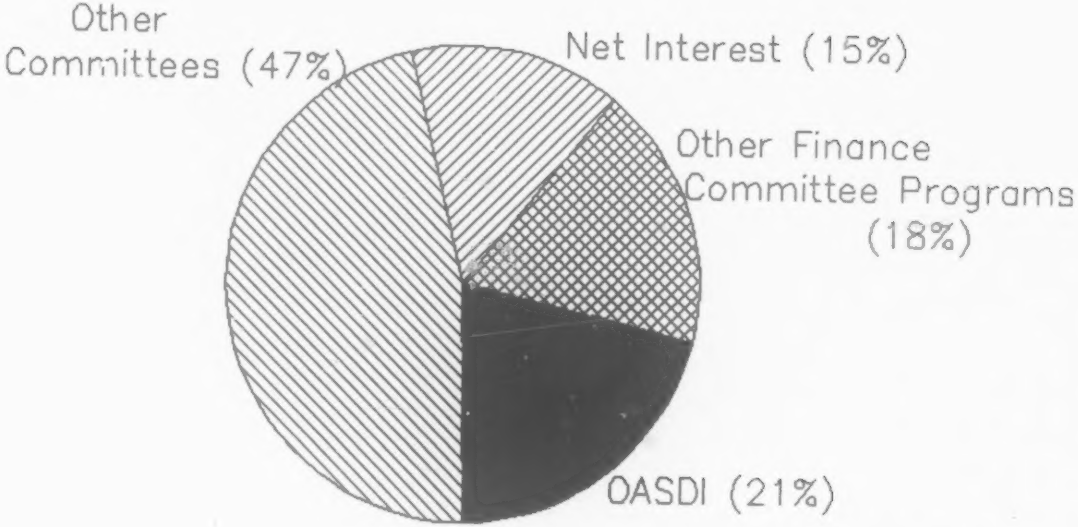


Chart 4

Federal Spending: Role of Finance Committee Programs

Chart 4 shows how the budgetary impact of Finance Committee spending jurisdiction relates to total Federal spending for fiscal year 1991. Amounts shown reflect the current policy estimates of the Congressional Budget Office as follows:

[In billions of dollars]

Total Spending:	
Finance Committee programs:	
Social Security (OASDI) [1]	267
Other accounts	229
Net interest	185
Non-Finance Committee programs	594
Total outlays	1,275

---

[1] The amount shown here represents actual programmatic outlays. It differs from the amount shown in tabe 3 which is a net amount after treating certain general fund transfers (e.g. interest) as "Negative Outlays."

Chart 5

Major Expenditure Programs Under Finance Committee Jurisdiction

1. Social security cash benefits (see chart 6):
    - A. Old-age and survivors insurance (OASI)
    - B. Disability insurance (DI)
2. Unemployment compensation (UC) (see chart 7)
3. Welfare programs for families (see chart 8):
    - A. Aid to families with dependent children (AFDC)
    - B. Job Opportunities and Basic Skills Training (JOBS) program
    - C. Child support enforcement (CSE)
    - D. Child Welfare, Foster Care, and Adoption Assistance
4. Earned income tax credit (EITC) (see chart 9)
5. Social services (see chart 10)
6. Child care (see chart 11)
7. Supplemental security income (SSI) for the aged, blind, and disabled (see chart 12)
8. Health programs (see charts 13–14):
    - A. Medicare
    - B. Medicaid
    - C. Maternal and child health (MCH)
9. Interest on the public debt (see chart 15)

Note: See Appendix F for a more detailed listing of Finance Committee expenditure accounts.

Chart 5

Major Expenditure Programs Under Finance Committee Jurisdiction

This chart lists the major programs involving an expenditure of Federal funds which come within the legislative jurisdiction of the Committee on Finance. Each of these programs is covered in more detail in the following charts. Interest on the public debt is included as an expenditure program since it constitutes a significant part of the Federal budget even though the level of expenditure is not subject to legislative control in the same sense as expenditures under the other programs listed.

Under a revision in the Congressional budget procedures adopted in the 95th Congress, refundable tax credits are treated as revenue items insofar as they serve to reduce tax liability and as "outlay" items insofar as they exceed tax liability. For this reason, the earned income tax credit is shown here as an expenditure program.

Chart 6.—SOCIAL SECURITY CASH BENEFIT (OASDI) TRUST FUNDS

[In billions of dollars]

	Fiscal year—					
	1990	1991	1992	1993	1994	1995
Present law: [1]						
Income to trust funds	310.2	342.5	370.4	403.8	435.5	464.8
Outgo from trust funds	248.3	264.7	280.9	297.7	314.7	331.6
Difference	61.9	77.8	89.5	106.1	120.8	133.2
End of year balance in trust funds	218.6	296.3	385.8	491.9	612.7	745.9
Trust fund ratio (percent) [2]	71	90	113	138	165	193

[1] These are projections under current law based on the economic and demographic assumptions used in the fiscal year 1991 budget submitted by President Bush.

[2] Start-of-year assets as a percent of outgo for the year. Assets at the start of the year are equal to the assets at the end of the prior year plus the advance tax transfers for October.

Source: SSA Office of the Actuary, January 11, 1990.

Chart 6

Social Security Cash Benefit (OASDI) Trust Funds: Financial Status and Relationship to the Budget

The social security cash benefit programs, Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI), provide income protection to people who work in employment covered by social security and earn a certain minimum number of "quarters of coverage". The OASI program pays benefits to eligible workers age 62 or older and their spouses and children, and to surviving spouses and children of deceased workers. The DI program pays benefits to disabled workers and to their spouses and children.

The Administration estimates that on average in fiscal year 1991 a total of 35.8 million individuals will receive monthly social security benefits from the Old Age and Survivors Insurance Trust Fund, as retired workers or their dependents, or as survivors of deceased workers. In addition, some 4.2 million individuals will receive benefits from the Disability Insurance Trust Fund as disabled workers or as dependents of disabled workers. In total, approximately 40 million people will be receiving some type of monthly social security cash benefit.

The status of the trust funds.—The Administration budget projections under current law for the next 5 years continue to reflect an improving financial outlook for the OASDI trust funds with the combined trust reserve ratio growing from 71 percent of the projected annual outgo at the beginning of fiscal year 1990 to 193 percent at the beginning of fiscal year 1995.

The following table displays the economic assumptions underlying the budget as they relate to the OASDI program.

ADMINISTRATION'S ECONOMIC ASSUMPTIONS RELATED TO SOCIAL SECURITY

[IN PERCENT]

	Calendar year—						
	1989	1990	1991	1992	1993	1994	1995
Percent change in CPI	4.8	3.9	4.0	3.9	3.6	3.3	3.0
Benefit increase [1]	4.7	3.9	4.1	3.8	3.6	3.3	3.0
Real wage differential	1.6	2.3	2.6	2.5	2.1	1.8	1.9
Civilian unemployment rate	5.3	5.5	5.4	5.3	5.2	5.1	5.1

[1] Benefit increase payable in January of the following year.

Limitation on administrative expenses.—The 1991 budget requests $4,167 million in budget authority for administrative expenses, an increase of $330 million compared to 1990.

PROPOSED LEGISLATION

The budget submitted by President Bush includes six proposals affecting the Old-age, Survivors, and Disability Insurance program.

SOCIAL SECURITY PROPOSALS—BUDGET IMPACT

[In millions of dollars]

	Fiscal year—					5-year total
	1991	1992	1993	1994	1995	
Cover State and local employees:						
Administration estimate	2,105	2,177	2,344	2,521	2,691	11,838
CBO estimate	2,035	2,213	2,358	2,514	2,685	11,805
Cover new D.C. employees:						
Administration estimate	2	6	13	16	23	60
CBO estimate	2	6	13	16	23	60
Adopted children:						
Administration estimate	0	1	1	2	2	6
CBO estimate	0	1	1	2	2	6
Income tax refund offset:						
Administration estimate	−79	−97	−27	−18	−18	−239
CBO estimate	−78	−56	−37	−28	−22	−221
Pre-effectuation review:						
Administration estimate	−2	−5	−5	−6	−8	−26
CBO estimate	−2	−5	−5	−6	−8	−26
Advance tax transfer:						
Administration estimate	0	0	0	0	0	0
CBO estimate	0	0	0	0	0	0

Coverage of State and local employees not covered by a public retirement program.—Employees of State and local government are covered by Social Security under agreements between the State and the Secretary of Health and Human Services. Currently about 30 percent of State and local government jobs (about 7 million employees) are not covered by OASDI. About 3.8 million of these employees, many of whom are young and are employed part-time or temporarily, are not participating in a public employee retirement plan.

The Administration is proposing mandatory coverage of State and local employees who are not participating in a public employee retirement system, effective October 1, 1990.

Coverage of new employees of the District of Columbia.— Since October 1, 1987, new employees of the District of Columbia have been covered by Social Security unless they participate in one of the city's three special retirement programs (for police and fire fighters, teachers, and judges).

The budget includes a proposal to cover all new employees, including the groups currently covered by the special retirement programs.

Benefits for adopted children.—Under current law, a child adopted by the surviving spouse of a deceased worker must meet several tests in order to be entitled to benefits as a surviving adopted child. First, adoption proceedings must have been initiated prior to the worker's death or the adoption must have been completed within two years of the worker's death. Second, the child must have been living in the worker's home and cannot have been receiving support from any source other than the worker and the spouse in the year prior to the worker's death.

The Administration is proposing to change the support requirements to permit a child who is adopted by the surviving spouse of a deceased worker to receive benefits on that worker's earnings if the child was living in the worker's home when the worker died, or the child was receiving one-half support from the worker at the time of death.

Recoupment of certain overpayments through income tax refund offset.—Under current law, Federal agencies that are owed a past-due, legally enforceable debt, other than a social security overpayment, may collect it by having the Internal Revenue Service withhold or reduce the debtor's income tax refund.

The Administration's budget includes a proposal to give SSA permanent authority to collect social security and SSI overpayments by withholding the amount due from Federal income tax refunds if recovery through benefit adjustment or direct payment by the overpaid individual has not been successful. The proposal would apply only to amounts owed by former beneficiaries, not to amounts owed by current beneficiaries.

Pre-effectuation review requirement.—State Disability Determination Services, under contract with the Federal government, make determinations on individuals' initial and continuing eligibility for disability benefits. Amendments enacted in 1980 require the Secretary of HHS to review 65 percent of favorable disability determinations before the decision becomes effective. The review applies to favorable decisions on initial claims, reconsiderations, and continuing disability investigations.

The Administration is proposing to reduce the review requirement to 50 percent of all allowances (initial claims and reconsiderations) and 25 percent of all continuances.

Advance tax transfer.—Another proposal in the Bush budget would end the advance tax transfer provision. These provisions were adopted in the 1983 social security amendments when trust fund balances were precariously low. They provide for crediting the social security trust funds at the beginning of each month with the social security taxes expected to be collected during the month. The trust funds are required to repay the general fund for any interest paid on amounts transferred in advance of when they are collected so that there should be no financial advantage to either the trust funds or the general fund. In some cases, however, the availability of the advance tax transfer makes it possible for the trust funds to avoid redeeming investments that would otherwise be needed to meet benefit payments at the start of the month. Depending on prevailing interest rates, this apparently unintended effect could result in the trust funds earning more or less interest than would be the case in the absence of the advance tax transfer provision. The Administration estimates that the provision will result in a lowering of interest paid to the trust fund over the next several years. Since interest payments are an interfund transaction, there would be no budgetary impact on the "unified" or Gramm-Rudman-Hollings deficit.

Chart 7—UNEMPLOYMENT COMPENSATION

[In billions of dollars]

Unemployment trust fund	Fiscal year 1990	Fiscal year 1991
Status of State accounts:		
Income:		
State taxes	16.4	16.3
Interest	3.1	3.1
Total	19.5	19.4
Outgo:		
State benefits	16.1	16.4
Federal loans repaid	0.2	0.2
Total	16.3	16.6
Balance at end of year	40.7	43.4
Less outstanding Federal loans	0.6	0.4
Net balance	40.1	43.0
Status of extended benefit account:		
Income:		
Federal taxes/interest	1.7	1.3
Transfer from or to (—) other account	0.0	—0.2
Total	1.8	1.0
Outgo	0.0	0.0
Balance at end of year	7.6	8.6
Status of administration account:		
Income:		
Federal taxes and interest	3.6	3.8
Transfer from or to (—) other account	0.0	—0.6

Chart 7—UNEMPLOYMENT COMPENSATION—Continued

[In billions of dollars]

Unemployment trust fund	Fiscal year	
	1990	1991
Total	3.5	3.1
Outgo:		
State unemployment insurance service	1.7	1.9
State employment service	1.0	1.0
Federal administration	0.2	0.2
Total	2.9	3.1
Balance at end of year	1.8	1.8
Status of Federal unemployment (loan) account:		
Income:		
Federal taxes and interest	0.9	0.5
State loan repayments	0.2	0.2
Transfer from other account	0.0	0.9
Total	1.0	1.5
Outgo:		
Loans to States	0.0	0.0
Repayments to general fund	0.0	0.0
Total	0.0	0.0
Balance at end of year	2.3	3.8
Less outstanding loans from general fund	0.0	0.0
Net balance	2.3	3.8

Chart 7

Unemployment Compensation

The unemployment compensation system was enacted as a part of the Social Security Act of 1935 to provide partial wage replacement to covered workers during periods of temporary and involuntary unemployment. The program is a joint Federal-State system composed of programs administered by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The major provisions of the unemployment compensation program are determined by State laws. In general, State laws establish eligibility requirements, the number of weeks an individual may collect unemployment compensation, the amount of the weekly benefit, the circumstances under which benefits may be denied, the length of denial, and the State unemployment tax structure.

The unemployment compensation system is financed by State and Federal payroll taxes on employers. Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 6.2 percent on the first $7,000 of wages is levied on employers. If the State's unemployment compensation program meets the requirements of Federal law, employers in that State receive a 5.4 percent credit against the 6.2 percent Federal unemployment tax. Thus, the effective Federal tax rate in a State which has an approved program is 0.8 percent. The effective tax rate may be higher in States having outstanding unemployment insurance loans from the Federal Government. The tax rate and the net effective tax rate are scheduled to drop by 0.2 percentage points (to 6.0 and 0.6) as of January 1, 1991. Chart 7 reflects the reduced income to the trust fund as the result of the expiration of the .2 percent surtax (which was originally enacted in 1976).

The Federal tax is used to pay State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to pay most of the cost of operating State employment service programs, to fund 50 percent of the extended benefits paid to unemployed workers under the Federal-State Extended Unemployment Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow when it lacks funds to pay State unemployment compensation benefits.

States also levy unemployment compensation taxes on covered, private employers in the State. State taxes finance regular State benefits and one-half the cost of extended benefits. State unemployment funds are deposited with the Federal Government in the unemployment trust fund, which is a part of the unified Federal budget. States then pay benefits from this fund.

Most unemployment benefits are paid through the Federal Unemployment Trust Fund which consists of a number of accounts and which draws its funding partly through State payroll taxes, partly through the Federal Unemployment Tax, and partly from general revenues.

Regular State unemployment benefits are paid by the States from individual State accounts in the trust fund. These State accounts are primarily funded by State payroll taxes on employers. However, if a State account is unable to meet its obligations, the State account may be supplemented by loans from a Federal loan account in the trust fund.

In most States, regular State unemployment benefits are payable for a maximum of 26 weeks. In times of high unemployment, the Federal-State extended benefit program goes into effect providing up to 13 additional weeks of benefits.

The extended benefits program triggers on in a State when the insured unemployment rate (IUR) in that State reaches at least 5 percent and is at least 20 percent higher than the rate prevailing on average during the comparable period in the previous 2 years. However, a State may elect an optional trigger which permits the payment of extended benefits when the State IUR is at least 6 percent, even if that rate is not 20 percent higher than the rate prevailing in the 2 prior years. At the present time, only Puerto Rico is paying extended benefits.

Federal general revenue funds are advanced as needed to cover shortages in the account which pays the Federal share of extended benefits and in the account from which States borrow to meet shortages in State accounts. All outstanding general fund advances have now been repaid.

A special program also exists for workers in the railroad industry. This is funded by employer contributions which are paid into a separate trust fund account administered by the Railroad Retirement Board.

There is also a special unemployment benefits program for trade-impacted workers. This is described in chart 16.

The target budget deficits under the Gramm-Rudman-Hollings law reflect the impact of unemployment taxes and spending (including both Federal and State accounts). If, however, the target deficits are not met, the automatic "across-the-board" spending reductions are applied to unemployment benefits according to special rules. Regular State benefits and benefits for former Federal employees and ex-servicemen are exempt from any reduction. Extended benefits, as such, are not reduced, but the Federal share of the funding for these benefits is subject to reduction. States have the option of reducing or not reducing the actual benefit payments to reflect the reduction in Federal funding.

Chart 8.—WELFARE PROGRAMS FOR FAMILIES

[In billions of dollars]

	Fiscal year—	
	1990	1991
Aid to families with dependent children:		
Welfare payments	9.8	10.3
Administration	1.4	1.5
JOBS program	0.3	0.6
Child care:		
JOBS	0.1	0.2
Transitional assistance	(*)	0.2
Child support:		
Non-AFDC collections	NA	NA
AFDC collections	NA	NA
Gross Federal share of AFDC collections	.8	1.0
Total AFDC/non-AFDC administrative costs	1.6	1.9
Federal share	1.1	1.3
Incentive payments	0.3	0.3
Title IV-B (child welfare services/training)	0.3	0.3
Title IV-E (foster care, adoption assistance, independent living)	1.5	2.3

* Less than $50 million.

Source: Estimates by the Congressional Budget Office. Includes Federal outlays only.

Chart 8

Welfare Programs for Families

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. At the present time, States, at their option, may also provide benefits for families in which dependency arises from a parent's unemployment. A provision in the Family Support Act of 1988 requires all States to provide benefits to families with unemployed parents beginning in fiscal year 1991. (States may choose to provide these benefits on a time-limited basis, but for no less than 6 months in a 12-month period.) States establish their own income eligibility and benefit levels.

The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Government is 55 percent. The AFDC program is not subject to reduction under the Public Law 99-177 sequestration procedures.

According to the Congressional Budget Office, under present law the average number of families and recipients receiving monthly payments is as follows:

[In thousands]

	Fiscal year—		
	1989	1990 est.	1991 est.
Families	3,762	3,850	3,885
Individuals	10,911	11,165	11,265

According to CBO, estimates for Federal program costs under present law are as follows:

[In millions of dollars]

	Fiscal year—		
	1989	1990 est.	1991 est.
AFDC benefits [1]	8,678	8,955	9,280
Emergency assistance	116	160	175
Other assistance payments	16	17	17
State and local administration and training	1,354	1,404	1,461
Child care	17	140	420
Total	10,181	10,676	11,353

[1] Includes reductions for child support enforcement collections of $724 million in 1989, $840 million in 1990, and $990 million in 1991.

B. JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM (JOBS)

The Family Support Act of 1988 provided for replacement of the Work Incentive (WIN) program with a new Job Opportunities and Basic Skills Training program (JOBS). The legislation provides Federal matching funds to the States through a capped entitlement mechanism aimed at assuring each State its share of Federal dollars equal to $600 million in 1989, $800 million in 1990, $1 billion in 1991, 1992, and 1993, $1.1 billion in 1994, and $1.3 billion in 1995. States must implement the JOBS program by October 1, 1990, but had the option of doing so as early as July 1, 1989. They are required to operate a WIN or WIN demonstration program until their JOBS program is in place. Currently, 27 States are operating a JOBS program.

The Federal match for the JOBS program is 90 percent for expenditures up to the amount allotted to the State for WIN in fiscal year 1987. Of additional amounts, the Federal match is at the Medicaid matching rate, with a minimum Federal match of 60 percent for non-administrative costs and for personnel costs for full-time staff working on the JOBS program. The match for other administrative costs (including evaluation) is 50 percent. State matching for amounts above the 1987 WIN allocation must be in cash. States will receive an amount equal to their WIN allotment for fiscal year 1987 ($126 million for all States). Additional funds are allocated on the basis of each State's relative number of adult recipients.

State JOBS programs must include a range of services and activities, including educational activities, job skills training, job readiness activities, job development and job placement, and specified supportive services, including child care. States must also offer two of the following four activities: group and individual job search, on-the-job training, work supplementation, and community work experience or other work experience program.

Responsibility for administration of the new program lies with the welfare agency at both the Federal and State levels. At the Federal level, there is a new position of Assistant Secretary for Family Support in the Department of Health and Human Services who has responsibility for administering the JOBS program, as well as the child support and AFDC programs.

C. CHILD SUPPORT ENFORCEMENT

The purpose of the Child Support Enforcement (CSE) program is to locate absent parents, establish paternity, obtain child and spousal support, and assure that assistance in obtaining support is available to all children (whether or not eligible for AFDC) for whom such assistance is requested.

As a condition of eligibility for AFDC, each applicant or recipient must assign the State any right to support which she may have in her own behalf or in behalf of children in the family, and must cooperate with the State in establishing paternity and in obtaining support payments. States are also required to provide child support services to families who are not eligible for AFDC upon their application for services.

The Federal Government pays 66 percent of State and local administrative costs for services to both AFDC and non-AFDC families on an open-ended entitlement basis. In addition, 90 percent Federal matching is available on an open-ended entitlement basis to States for the costs of establishing an approved automated data processing and information retrieval system.

Collections made on behalf of AFDC families are used to offset the cost to the Federal and State governments of welfare payments made to the family. However, the first $50 per month of such collections is passed through to the family. The amounts retained by the government are distributed between the Federal and State governments according to the proportional matching share which each has under the State's AFDC program.

Finally, as an incentive to encourage State and local governments to participate in the program, the law provides for a basic payment equal to a minimum of 6 percent of collections made on behalf of AFDC families plus 6 percent of collections made on behalf of non-AFDC families. The amount of each State's incentive payment could reach a high of 10 percent of AFDC collections plus 10 percent of non-AFDC collections depending on the cost-effectiveness of the States program. In fiscal year 1989 the incentive payments for non-welfare collections could not exceed 110 percent of the incentive payments for welfare collections. This percentage increased to 115 percent in 1990 and years thereafter. (These incentive payments are financed from the Federal share of collections.)

According to CBO, child support collections and expenditures under present law are as follows:

[In millions of dollars]

	Fiscal year—		
	1989	1990 est.	1991 est.
Total collections	5,324	NA	NA
AFDC collections [1]	1,650	NA	NA
Non-AFDC collections	3,675	NA	NA

[In millions of dollars]—Continued

	Fiscal year—		
	1989	1990 est.	1991 est.
Total administrative costs:			
(Federal and State)	1,387	1,595	1,902
(Federal share)	954	1,066	1,271
Federal incentive payments to States	239	275	315

[1] The Federal share of collections is included in the AFDC appropriation as an offset to AFDC benefits.

The program made collections on behalf of 651,033 AFDC families and 1,250,855 non-AFDC families in fiscal year 1989.

The Child Support Enforcement Amendments of 1984 required States to adopt numerous procedures to collect overdue child support payments, including mandatory wage withholding, liens against property, and withholding of State income tax refunds, and to permit establishment of paternity until a child's 18th birthday. The 1984 amendments also made more generous the formula for Federal incentive payments to States for child support collections and extended those incentives to collections made on behalf of non-AFDC children. The amendments provided for reducing the Federal matching share for State and local administrative costs from 70 percent to 68 percent in 1988, and to 66 percent in 1990 and years thereafter. This act also modified the audit and penalty provisions under which the Federal agency monitors State program effectiveness.

The 1984 Act also required States to continue to provide services to AFDC families after they leave the rolls; authorized the Secretary of Health and Human Services to make project grants to States for developing new methods of support establishment and collection in interstate cases; extended the Federal income tax return intercept program to non-AFDC families; required each State to establish guidelines for child support awards within the State; extended Medicaid eligibility for four months to families that lose eligibility for AFDC as a result of child support collections; and encouraged States to focus on the issues of child support, child custody, visitation rights, and other related domestic issues through the establishment of special State commissions.

Major amendments to the child support enforcement program were also included in the Family Support Act of 1988. Under these amendments, judges and other officials making child support awards are required to use State-developed guidelines in setting award amounts as a rebuttable presumption. In addition, States are required to establish a mechanism to update awards on a regular basis; implement immediate mandatory wage withholding procedures; implement approved statewide automated tracking and monitoring systems; inform AFDC families of the amount of support collected on their behalf on a monthly basis (rather than annually as required under prior law); and meet minimum paternity establishment performance standards. The capacity of States to establish paternity is further enhanced by providing higher (90%) Federal matching for laboratory testing.

The 1988 law also requires the Secretary of HHS to set standards specifying time limits in which a State must respond to requests for services, including requests to locate absent parents, establish paternity, or initiate proceedings to establish and collect support. A new Commission on Interstate Enforcement is established to recommend improved procedures for enforcement in interstate cases.

D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

The child welfare services program, authorized under title IV-B of the Social Security Act, is a 75 percent Federal matching grant program for States for the provision of child welfare services to children and their families without regard to the family's income. The State allocations are based on the State's per capita income and the size of its population under age 21 compared to all the States. The fiscal year 1990 appropriation for child welfare services was $253 million; for child welfare training, $4 million; and for child welfare research and demonstration, $11 million. (Appropriations for all non-defense discretionary programs, including the child welfare program were reduced slightly—by 1.4 percent—as the result of sequestration required by Pub. L. 101-239, the Omnibus Budget Reconciliation Act of 1989.)

The foster care program, authorized under title IV-E of the Social Security Act, provides matching funds on an entitlement basis to States for maintenance payments for AFDC-eligible children in foster care. The Federal matching rate for a given State is that State's Medicaid matching rate, and averages about 55 percent nationally. Federal matching at a 50 percent rate is available for costs of administration. The fiscal year 1990 appropriation for foster care was $1,205 million (including both maintenance payments and administration).

In addition, there was an appropriation of $50 million for grants to States to help title IV-E foster care children age 16 and over prepare for independent living. These funds are allocated to the States on the basis of each State's relative number of children receiving title IV-E foster care maintenance payments in 1984. Currently there is no State matching requirement. The independent living program was originally authorized for two years, 1987 and 1988. It has been extended twice, most recently by P. L. 101-239, which extended the authorization for the program through fiscal year 1992. That legislation increased the entitlement ceiling for the program to $50 million in fiscal year 1990; $60 million in fiscal year 1991; and $70 million in fiscal year 1992. A State match of 50 percent is required beginning in fiscal year 1991 on amounts above $45 million. An evaluation of the program is also required.

The adoption assistance program, also authorized under title IV-E, provides Federal matching funds to States on an entitlement basis, at the Medicaid matching rate, for payments to parents who adopt an AFDC- or SSI-eligible child with "special needs." Special needs are defined as a condition, such as ethnic background, age, membership in a sibling group, or mental or physical handicap, which prevents the placement of the child without assistance payments. The amount of assistance provided to parents varies, depending on the circumstances of the family and the child's needs. The fiscal year 1990 appropriation for this program was $125 million (including both maintenance payments and administration).

PROPOSED LEGISLATION

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The Bush budget for 1991 includes two proposals to reduce the cost of the AFDC program. Estimates of savings are shown below:

AFDC PROPOSALS—SAVINGS

[In millions of dollars]

	Fiscal year—					5-year total
	1991	1992	1993	1994	1995	
AFDC quality control:						
Administration estimate	−22	−23	−17	−5	(*)	−67
CBO estimate	−20	−20	−15	−5	(*)	−60
Emergency Assistance:						
Administration estimate	−35	−35	−35	−35	−35	−175
CBO estimate [1]	−35	−35	−35	−35	−35	−175

* Less than $50 million.

[1] CBO did not develop an independent estimate because details of the proposed regulation are not available.

AFDC quality control proposal.—The Omnibus Budget Reconciliation Act of 1989 replaced the prior AFDC quality control program with a new system beginning in fiscal year 1991. Under the new system, sanctions will be imposed only on those States whose error rates are above the national average (or 4 percent, whichever is higher). The new law provides that any sanction amount owed by a State will be due within 45 days of the date notice of the disallowance is received by the State. The State may pay immediately, or the Secretary and the State may enter into an agreement under which repayment may be made over a period of up to two and one-half years. Interest will accrue beginning 45 days after receipt of the notice. If a subsequent appeal is decided in the States's favor, the Federal government will repay all State payments with interest.

The Administration proposes to prospectively adjust Federal payments to States to collect penalties for erroneous welfare payments.

Emergency assistance.—The Omnibus Budget Reconciliation Act of 1989 prohibits the Secretary of Health and Human Services from issuing proposed regulations published on December 14, 1987 limiting the use of emergency assistance or special needs funds by the States. However, the legislation allows the Secretary to issue proposed rules that are consistent with the recommendations of a report entitled "Use of Emergency Assistance and AFDC Programs to Provide Shelter to Families," transmitted by the Secretary to the Congress on July 3, 1989. The Secretary is prohibited from establishing an effective date for any final regulations relating to emergency assistance, or otherwise modifying current policy regarding the use of emergency assistance or special needs funds without specific legislative authority prior to October 1, 1990. States will be required to submit financial reports on the use of emergency assistance and special needs funds.

The Bush budget assumes that the Secretary of HHS will publish regulations limiting uses of emergency assistance, consistent with the recommendations of the July 3, 1989 HHS report. Under these recommendations, States would be able to use emergency assistance funds for measures to avoid the need for long-term stays in welfare hotels, such as preventing evictions by paying past-due rent or utility bills and assisting families to move into permanent housing by paying an initial month's rent or security deposit.

B. JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM (JOBS)

The Administration estimates that outlays for the JOBS program will grow to a total of $880 million in fiscal year 1991. This is based on a request for new budget authority of $1 billion, which is the full amount of the entitlement ceiling provided in the JOBS statute for 1991.

C. CHILD SUPPORT ENFORCEMENT

The budget includes three proposals affecting the child support enforcement program. Estimates for these proposals are as follows:

CHILD SUPPORT ENFORCEMENT PROPOSALS—SAVINGS/COSTS

[In millions of dollars]

	Fiscal year—					5-year total
	1991	1992	1993	1994	1995	
Require fees:						
Administration estimate	−30	−35	−40	−45	−50	−200
CBO estimate [1]	−30	−35	−40	−45	−50	−200
Limit Federal match:						
Administration estimate	−10	−15	−20	−25	−30	−100
CBO estimate	−10	−15	−20	−20	−25	−90
Extend services: [2]						
Administration estimate	−20	−40	−40	−40	−40	−180
CBO estimate	10	−10	−25	−25	−25	−75

[1] No independent CBO estimate because details of proposal were not available.

[2] Net of food stamp offsets.

Require fees to recover costs of services.—Under present law, States are allowed to use several mechanisms to collect fees for child support enforcement and paternity establishment services provided to non-AFDC families. They must charge an application fee of up to $25, which may be paid by the family applying for services, recovered from the non-custodial parent, or paid by the State out of its own funds. States may also impose a fee of not more than $25 in any case where the State requests the IRS to withhold past-due support from an income tax refund due to a non-custodial parent. In addition, States are allowed to recover any costs in excess of fees recovered from non-AFDC families, but only if the State has in effect a procedure whereby all persons having authority to order support are informed that the costs are to be collected from the family that is being served.

The Administration is proposing to require States to establish sliding-fee schedules and recover a portion of the costs of services from both absent and custodial parents based on their respective abilities to pay, but only after current support obligations are satisfied. The current $25 application fee ceiling would be replaced with an income-tested sliding fee scale for non-AFDC families. Services would be free for families with incomes below 150 percent of the poverty line, reduced-rate for families between 150 and 200 percent of the poverty line, and full rate for families above 200 percent of the poverty line. Payment of most fees would be contingent on how quickly a State provides services and how much child support it collects for the families.

Limit on Federal matching funds.—Under present law, States receive 66 percent Federal matching for costs of administering the child support enforcement program on an open-ended entitlement basis. In addition, States may receive incentive payments of up to 10 percent of AFDC and non-AFDC collections. Incentive payments to a State for non-AFDC collections may not exceed 115 percent of the amount it is eligible to receive for AFDC collections.

The Administration proposes to require States to collect at least one dollar on behalf of AFDC families for each dollar of Federal child support enforcement matching funds that are claimed. This requirement would increase, in phases, until, by 1999, States would be required to collect $1.50 on behalf of AFDC families for each dollar of Federal matching funds claimed.

Services for families receiving other means-tested benefits.—Currently, State child support enforcement programs must provide services to families receiving AFDC, and to non-AFDC families that apply for services. AFDC recipients are required to cooperate in the establishment of paternity and in the collection of child support as a condition of eligibility for benefits.

The Administration is proposing to ask for general authority that would authorize the Secretary of HHS and the heads of agencies administering Federal means-tested benefit programs to develop agreements that require recipients of these other Federal assistance programs to cooperate in the establishment of paternity and in the collection of child support as a condition of continued receipt of Federal assistance. The Food Stamp program is envisioned as being one of the first programs affected.

D. CHILD WELFARE, FOSTER CARE, AND ADOPTION ASSISTANCE

CHILD WELFARE, FOSTER CARE, ADOPTION ASSISTANCE—SAVINGS

[In millions of dollars]

	Fiscal year—					5-year total
	1991	1992	1993	1994	1995	
Limit Federal matching:						
Administration estimate	−121	−290	−478	−659	−807	−2,355
CBO estimate	−60	−144	−243	−361	−503	−1,311

Limit on Federal matching for costs of foster care administration/placement activities.—Under present law, States may receive 50 percent Federal matching funds for the costs of administering their foster care and adoption assistance programs on an open-ended entitlement basis. Federal regulations provide that, in addition to eligibility determination, administrative matching funds may be used for such purposes as development of case plans, preparing for and participating in judicial proceedings, assessment of the child and family's situation, case reviews, case management and supervision, recruitment and licensing of foster homes and institutions, and a proportionate share of agency overhead.

The budget includes a proposal to limit each State's annual increase in administrative/placement payments to no more than 10 percent.

Chart 9.—EARNED INCOME TAX CREDIT [1]

[In millions of dollars]

	Fiscal year—	
	1990	1991
Present law:		
Amount in excess of tax liability	4,786	5,109
Offset against tax liability	1,151	1,278
Total	5,937	6,387

[1] Estimates by the staff of the Joint Tax Committee.

Chart 9

Earned Income Tax Credit

The earned income tax credit (EITC) is currently the only *refundable* tax credit in the Internal Revenue Code. That is, it is the only example of a tax credit that can cause a tax refund to be paid even when an individual tax filer has no income tax liability for the year in question. The EITC is available to low income families that include at least one child who is a dependent of an individual with earned income.

In 1990, the maximum credit equals 14 percent of the first $6,500, with a maximum credit of $953. For each dollar of adjusted gross income above $10,740 the credit is reduced by 10 cents, and is totally phased out at a level of $20,270. The amount of earnings and income used to compute and phase out the credit increases each year under an indexing formula.

The law allows individuals who have no tax liability to claim the credit either as an annual tax refund or to have the credit added to their paychecks throughout the year through reverse withholding. In practice, very few individuals use the reverse withholding procedure.

The significance of the EITC as a source of income for low income workers with children was greatly enhanced by the tax reform legislation in 1986 which provided for increasing the amount of the credit and the level of income at which families remain eligible for all or part of the credit. The 1986 tax legislation also provided for indexing these amounts on an annual basis. The budgetary impact of the EITC was about $2 billion in fiscal 1986. It is estimated to increase from about $3.7 billion in fiscal year 1988 to $5.9 billion in 1990.

The EITC was originally developed by the Committee on Finance as a part of an overall guaranteed employment program which the Committee proposed in 1972 as a replacement for the existing welfare program. It was approved by the Committee as a way of assuring that private employment would be more attractive than the public jobs proposed in the 1972 bill, and as a way of offsetting the impact of payroll taxes for lower income working families. The credit was called a "work bonus" in 1972, because the Committee viewed it as a way of enhancing the value of work, inasmuch as it was payable only to those with earned income, and, at least up to the phase down point, the amount of the credit increased as earnings from work increased. The Committee's 1972 proposals were not enacted, but the Senate passed the EITC as a separate provision on several occasions, and it became law in 1975.

Proposed Legislation

The Administration has proposed a new refundable tax credit for low income families with a child under age 4. This proposal is described in the section entitled "Child Care".

Chart 10.—SOCIAL SERVICES

[In billions of dollars]

	Fiscal year—	
	1990	1991
Present law:		
Title XX block grant	2.8	2.8

Chart 10

Social Services

In addition to cash benefit programs and medical assistance, the Social Security Act includes provisions in title XX which make Federal funding available for social services. In previous years, title XX legislation authorized matching funds for State social services programs on an open-ended entitlement basis. The Federal matching rate was generally 75 percent. In the Omnibus Budget Reconciliation Act of 1981, a new social services block grant program was created to replace the prior Federal-State matching program. A number of requirements on the States, including the requirement of a 25 percent non-Federal match, were removed, and funding levels were reduced.

The program is an appropriated entitlement, with each State eligible to receive its share of a ceiling amount specified in the law. The statutory ceilings have been: $2.4 billion in fiscal year 1982; $2.575 billion in fiscal year 1983 (with $225 million of this amount available in either for use in either 1983 or 1984); $2.7 billion in 1984; $2.725 billion in 1985 (with $25 million earmarked for training of child care providers, licensing officials and parents, including training in the prevention of child abuse); $2.584 billion in 1986 (the $2.7 billion ceiling was reduced by $116 million because of sequestration of funds under the Gramm-Rudman-Hollings legislation); $2.7 billion in 1987; $2.750 billion in 1988 ($50 million was never appropriated); and $2.7 billion in 1989. An amendment included in the Omnibus Budget Reconciliation Act of 1989 (P. L. 101-239) increased the ceiling to $2.8 billion for fiscal year 1990 and years thereafter. (The $2.8 billion ceiling was reduced to $2,763 million for 1990 as a result of sequestration required by P.L. 101-239.)

Allocations are made on the basis of State population. States may determine how their funds are to be used and who may be served. There are no Federal family income requirements, and no fee requirements. Income standards and fees may be imposed at State discretion.

PROPOSED LEGISLATION

The fiscal year 1991 budget request for the title XX social services block grant program is $2.8 billion, the permanent entitlement level.

Chart 11.—CHILD CARE

[In billions of dollars]

	Fiscal year—	
	1990	1991
Present law:		
Title XX [1]	.6	.6
Services for welfare families [2]	.2	.5
Child welfare services	NA	NA
Dependent care tax credit	3.9	4.2
Exclusion for employer-provided dependent care	.2	.3
Total	4.9	5.6

---

[1] Because of reporting deficiencies, it is not possible to determine how much of Federal title XX funding is used for child care. These numbers reflect a commonly used estimate (based on data from the late 1970's and early 1980's) that over 20 percent of title XX funds are used for this purpose.

[2] Includes amounts for child care provided to participants in employment and training programs, the AFDC child care disregard, and child care for recipients making the transition from welfare to work.

NA: Not available.

Chart 11

Child Care

Legislation under the jurisdiction of the Committee on Finance is the source of funding for most of the child care paid for by the Federal Government. This includes child care provided under the title XX social services program; several AFDC-related programs; the title IV-B child welfare services program; and two provisions of the Internal Revenue Code: the dependent care credit and the exclusion for employer-provided dependent care. (Other major Federal programs not under the jurisdiction of the Committee are Head Start, funded at $1.4 billion in 1990, and the child care and summer food programs, funded at about $.9 billion in 1990).

Child care under title XX.—The Omnibus Budget Reconciliation Act of 1981 replaced the former Federal-State social services matching program with a new social services block grant program that provides Federal entitlement funds (without a State matching requirement) for a wide range of social services. Although States are not required to provide data showing how their title XX funds are spent, available information indicates that nearly all States use part of these funds to provide child care services. Data for 1981, the last year for which detailed reporting is available, indicated that 28 percent of title XX funds was spent for child care. Data collected by the American Public Welfare Association for 1985 showed that a total of $1.1 billion in Federal and State funds was used for this purpose.

States have broad flexibility under the block grant authority to decide who is eligible for services, the amount of any child care subsidy, how the care is to be provided (for example, through vouchers, reimbursement, or direct provision of care), and whether to charge fees for services. (See the section on Social Services for more information on this program.)

Child care for welfare recipients.—There are three ways in which recipients of Aid to Families with Dependent Children may receive assistance with child care needs.

(1) Child care for individuals in education, employment, and training programs.—The Family Support Act of 1988 provides for replacing the existing work incentive and other work-related programs with a new JOBS program, which States must implement by October 1, 1990, and may implement as early as July 1, 1989. Under JOBS, State welfare agencies must guarantee child care to the extent that it is determined by the agency to be necessary for an individual's employment. Agencies must also guarantee child care needed by caretakers engaged in education and training activities (including participation in JOBS) if the agency approves the activity and determines that the individual is satisfactorily participating in the activity.

Federal matching is at the Medicaid rate (50–83 percent on an open-ended entitlement basis). The State may provide care by use of contract, vouchers, direct provision of care, or any other arrangement of its choosing. Reimbursement for the cost of care with respect. to a family is the lesser of (a) the actual cost of care; and (b) the dollar amount of the child care disregard for which the family is otherwise eligible; or (if higher) an amount established by the State. In no case may reimbursement exceed applicable local market rates. Child care must meet applicable standards of State and local law. CBO estimates that States will spend $115 million in Federal matching funds for child care for JOBS participants in 1990 and $215 million in 1991.

(2) Transitional child care services.—Under the Family Support Act of 1988, beginning April 1, 1990, the State welfare agency must guarantee child care to the extent the care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive assistance as a result of increased hours of, or increased income from employment, or as a result of the loss of earnings disregards. Federal matching rates, dollar limitations, standards and methods of providing care are the same for transitional assistance as under the JOBS program. Care is limited to 12 months after the last month for which the family received assistance. The family must contribute to the cost of care in accordance with a sliding scale formula based on ability to pay, established by the State. CBO estimates that States will spend $25 million in Federal matching funds for transitional child care services in 1990 and $205 million in 1991.

(3) Child care disregard.—Under prior law, in determining eligibility for and amount of AFDC benefits, a State was required to disregard actual expenses up to $160 a month per child for day care. The Family Support Act of 1988 provided for an increase in the amount of the child care disregard to $175 a month ($200 in the case of a child under age 2), and also provided that the child care disregard must be calculated after other disregard provisions have been applied. These changes became effective October 1, 1989. Estimated expenditures under the child care disregard provisions are unavailable.

Child welfare services.—States may use child welfare services funds to provide child care services. Funds may also be used to pay for activities relating to the establishment and monitoring of child care standards. (Estimates for expenditures for child care under this program are not available.)

Dependent care credit and exclusion for employer-provided care.—A nonrefundable income tax credit is allowed for up to 30 percent of a limited dollar amount of employment related child or dependent care expenses (Internal Revenue Code sec. 21). Eligible employment expenses are limited to $2,400 in the case of one qualifying individual ($4,800 in the case of two or more qualifying individuals). The 30 percent credit rate is reduced by one percentage point for each $2,000 (or fraction thereof) of the taxpayer's adjusted gross income (AGI) between $10,000 and $28,000. The credit rate is 20 percent for taxpayers with AGI in excess of $28,000.

The term "qualifying individual" means (1) a dependent of the taxpayer who is under age 13 and with respect to whom the taxpayer is entitled to claim a dependent exemption, (2) a dependent of the taxpayer who is physically or mentally incapable of caring for himself, or (3) a spouse of the taxpayer if the spouse is physically or mentally incapable of caring for himself.

Section 129 of the code also provides a dependent care exclusion which is intended to provide an incentive for employers to provide dependent care benefits to their employees. Amounts paid or incurred by an employer for dependent care assistance provided to an employee generally are excluded from the employee's gross income if the assistance is furnished under a program meeting certain requirements. These include requirements that the program is in writing and satisfies certain nondiscrimination rules, and that reasonable notification of the program is provided to eligible employees. With respect to any taxpayer (including a married couple filing a joint return), the dependent care exclusion is limited to $5,000 a year ($2,500 in the case of a separate return by a married individual).

The Family Support Act of 1988 included an amendment providing that the dollar amount of expenses eligible for the dependent care credit of any taxpayer will be reduced, dollar for dollar, by the amount of expenses excludable from that taxpayer's income under the dependent care exclusion.

For example, assume that a taxpayer with one child incurs $6,000 of child care expenses during a taxable year, $3,000 of which is excluded from the taxpayer's income because the expenses are reimbursed under an employer-provided dependent care assistance program. Under the law as amended in 1988, the amount of expenses (otherwise eligible for the dependent care credit ($2,400 in the case of one qualifying individual) is reduced, dollar for dollar, by the amount excluded under the dependent care assistance program. Because the amount excluded under the dependent care assistance program ($3,000) exceeds the expenses eligible for the dependent care credit ($2,400), no dependent care credit could be claimed for the taxable year. On the other hand, if the amount of excludable dependent care reimbursed by the employer was $1,000, then $1,400 of expenses ($2,400 minus $1,000) would be eligible for the dependent care credit. This provision is effective for taxable years beginning after December 31, 1988.

PROPOSED LEGISLATION

The Bush budget includes a proposal for a new tax credit of up to $1,000 for each child under age 4 in low income working families. This credit would be available to families in which at least one parent works regardless of whether the family incurs any costs for child care services. For each child under the age of four, families could receive a credit equal to 14 percent of wages, with a maximum credit equal to $1,000 per child. In 1991, the credit would be phased out between $8,000 and $13,000 in income. This phaseout range would increase to between $15,000 and $20,000 by 1995. The credit would be refundable. Families would have the option of receiving the refund in advance through a payment added to their paycheck (reverse withholding).

The existing dependent care credit would also be made refundable. Families that meet eligibility criteria for both the dependent care credit and the new child credit could claim whichever credit best suits their needs and circumstances for each child.

Estimates by the staff of the Joint Committee on Taxation for the cost of the proposals are as follows:

CHILD TAX CREDIT PROPOSALS—COSTS [1]

[In billions of dollars]

	Fiscal year—				Total 1991–1994
	1991	1992	1993	1994	
Child tax credits	2.2	2.4	2.5	2.8	10.1

[1] Estimates for the Administration's tax credits reflect an effective date of 1990; estimates assuming implementation in 1991 are not available.

The Family Support Act authorized $13 million for each of fiscal years 1990 and 1991 for grants to States to improve their child care licensing and registration requirements and procedures, and to monitor child care provided to AFDC children. The Administration's budget includes $13 million for these purposes for 1991.

Chart 12.—SUPPLEMENTAL SECURITY INCOME

[In billions of dollars]

	Fiscal year—	
	1990	1991
Present law:		
Total SSI outlays	[1] 12	14

[1] Includes 11 monthly payments, compared to 12 monthly payments in 1991.
Source: Congressional Budget Office.

Chart 12

Supplemental Security Income

Since January 1974, the Social Security Administration has been responsible for administering a basic income support program for needy aged, blind, and disabled persons called Supplemental Security Income (SSI). This program is funded entirely from general revenues. The law establishing the SSI program permits the temporary use of the social security trust funds to meet the administrative costs of the program, but provides specific safeguards to assure that those costs are promptly reimbursed to the trust funds by an appropriation from general revenues.

Under present law, the average number of recipients receiving federally-administered SSI payments is estimated by the Administration to be as follows:

[In thousands]

	Fiscal year—		
	1989	1990 est.	1991 est.
Aged	1,239	1,238	1,214
Blind and disabled	2,870	2,986	3,068
Total Federal	4,109	4,224	4,282
State supplementation only	375	381	384
Total SSI recipients	4,484	4,605	4,666

The maximum Federal monthly payment in calendar year 1990 is $386 for an individual, and $579 for a couple. Annual adjustments are made in January to reflect increases in the cost of living. CBO estimates a January 1991 COLA of 4.1 percent.

CBO estimates Federal program outlays as follows:

[In millions of dollars]

	Fiscal year—		
	1989	1990 est.	1991 est.
Federal benefits	11,483	11,329	13,259
Beneficiary services	19	28	28

[In millions of dollars]—Continued

	Fiscal year—		
	1989	1990 est.	1991 est.
Administration	1,051	1,090	1,158
Research and Demonstration	1	2	2
Total	12,555	12,449	14,477

PROPOSED LEGISLATION

The Administration's budget includes one proposal to reduce costs in the SSI program.

SUPPLEMENTAL SECURITY INCOME—SAVINGS

[In millions of dollars]

	Fiscal year—					5-year total
	1991	1992	1993	1994	1995	
Administration fee [1]	−55	−110	−165	−165	−165	−660

[1] Administration estimate. No independent CBO estimate available.

Under present law, States may choose to supplement the Federal payment and have these supplements administered by SSA. SSA currently administers the supplementation programs for 17 States and the District of Columbia. Currently there is no provision in the statute allowing SSA to charge a fee for administering these programs.

The Administration's budget proposes to assess a fee from States for administration of State supplementation programs. Details of how the fees would be assessed are still to be worked out, but, according to the Administration, the fee that a State must pay will generally reflect the total amount of the State's supplementary benefits.

CHART 13.—HEALTH PROGRAMS: CURRENT LAW SPENDING

[In billions of dollars]

	Fiscal year—						5-Year total (1991–95)
	1990	1991	1992	1993	1994	1995	
MEDICARE OUTLAYS							
Part A	63.9	67.5	75.5	83.2	91.4	99.8	417.5
Part B	43.4	49.3	57.1	65.2	74.1	83.7	329.4
Less Beneficiary premiums	11.6	11.9	12.6	13.4	14.2	15.0	67.1
Total	95.6	104.9	120.0	135.0	151.4	168.6	679.9
Hospitals	54.7	60.2	66.7	73.7	81.2	88.9	370.6
Physicians	26.5	29.5	33.6	37.7	42.0	46.5	189.3
Other	26.1	27.2	32.3	37.0	42.3	48.2	187.0
Less Beneficiary premiums	11.6	11.9	12.6	13.4	14.2	15.0	67.1
Total	95.6	104.9	120.0	135.0	151.4	168.6	679.9
MEDICAID OUTLAYS							
Federal expenditures	39.5	45.1	50.8	56.8	63.3	70.5	286.6
State costs	29.6	33.0	36.6	41.0	45.6	50.8	207.0
Total	69.1	78.2	87.4	97.8	108.9	121.3	493.6
MATERNAL AND CHILD HEALTH BLOCK GRANT							
Federal expenditures	0.6	0.6	0.6	0.6	0.7	0.7	3.1
State costs	0.4	0.4	0.4	0.4	0.4	0.4	2.0
Total	0.9	0.9	1.0	1.0	1.1	1.1	5.1

Source: Congressional Budget Office estimates.

Chart 13

Health Programs

MEDICARE

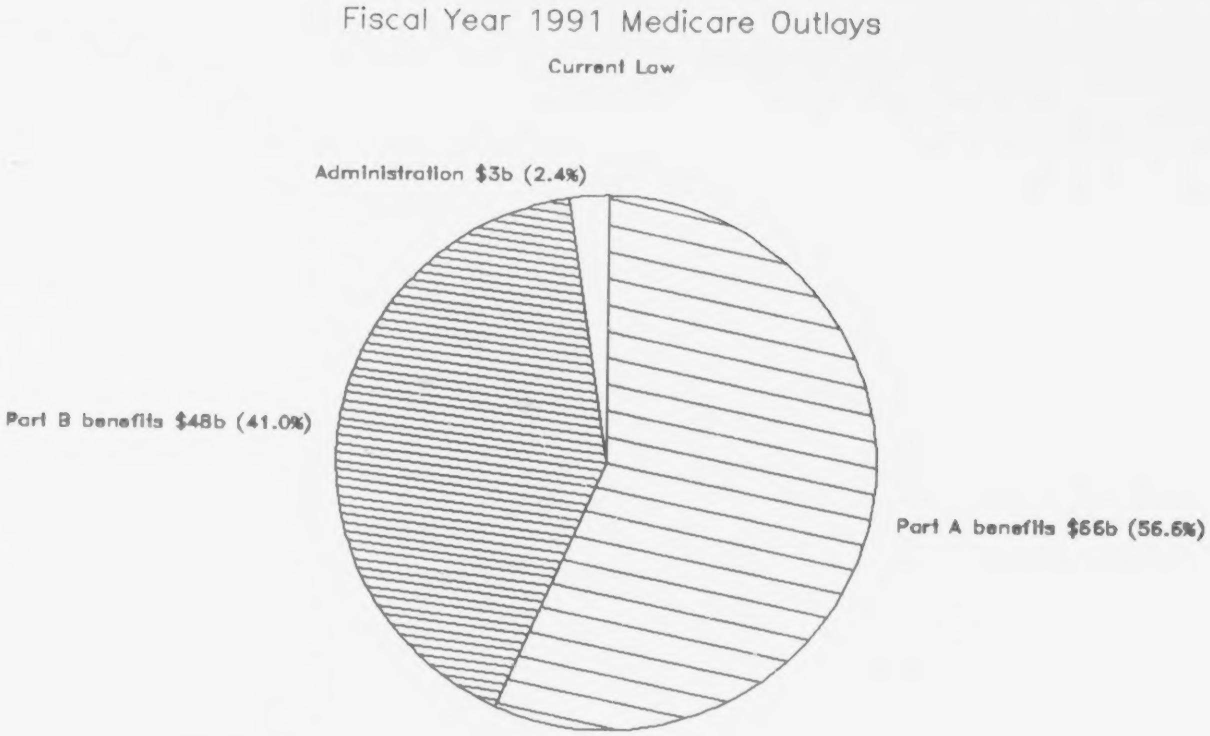
Medicare is a nationwide health insurance program for 33 million aged and disabled individuals. It is authorized by Title XVIII of the Social Security Act and consists of two parts. Part A, the Hospital Insurance Program, provides protection against the costs of inpatient hospital services, skilled nursing facility services, home health care and hospice care. Part B, the Supplemental Medical Insurance program, is a voluntary program which provides protection against the costs of physicians' services and other medical services.

The Congressional Budget Office estimates that under current law, spending for the Medicare program in FY 1991 will be $116.8 billion, of which $67.5 billion is for part A and $49.3 billion is for part B. The CBO estimates that basic premiums collected from Medicare participants in FY 1991 will total $11.9 billion. Spending for program administration will be $2.8 billion for FY year 1991, about 2.4 percent of the total.

MEDICAID

Medicaid is a Federally-aided, State-designed and administered program, authorized by Title XIX of the Social Security Act, which provides medical assistance for certain low-income persons. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided. The Federal government's share of Medicaid expenditures is tied to a formula inversely related to the per capita income of the State. Federal matching for services varies from 50 percent to 78 percent. Administrative costs are generally matched at 50 percent except for certain items which are subject to higher matching rates.

Recent budget reconciliation acts have expanded Medicaid's coverage for pregnant women and young children. Pursuant to the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239), States are required, as of April 1, 1990, to cover all pregnant women and children up to age six with family incomes up to 133 percent of the Federal Poverty Level ($14,045 for a family of three). At their option, States may cover pregnant women and infants (up to age one) with family incomes up to 185 percent of the Federal Poverty Level ($19,536 for a family of three).



SOURCE: CBO estimates

NOTE: Figures do not reflect offsetting income from beneficiary premiums

CBO estimates total Federal-State Medicaid costs for FY 1991 under current law to be $78.2 billion. Of this amount, the Federal share is $45.1 billion. The States' share of total Medicaid expenditures for FY 1991 is estimated at $33.0 billion.

MATERNAL AND CHILD HEALTH BLOCK GRANT

Title V of the Social Security Act authorized the Maternal and Child Health Services Block Grant, which provides funding to States for the following programs: maternal and child health and services for children with special health care needs, rehabilitation for disabled children receiving supplemental security income, lead-based paint poisoning prevention, genetic disease, sudden infant death syndrome, hemophilia, and adolescent pregnancy. Under the Title V block grant, States determine the level of services provided. Typically, States have supported health services such as well-child checkups and services in maternity clinics. Public Law 97-35 created the block grant by adding the functions listed above to maternal and child health and crippled children's services. The Federal/State matching requirements were also changed and now require the States to spend 75 cents to receive a dollar.

In the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239), the Title V block grant program was amended to authorize appropriations up to $686 million in FY 1991 and each year thereafter, an increase of $125 million over previous authorization. For appropriations not in excess of $600 million, the Secretary of Health and Human Services is to retain 15% to carry out various projects and programs, including special projects of regional and national significance, and screening of newborns for sickle cell anemia and other genetic disorders. The remainder of amounts not in excess of $600 million is available for allotment to the States. Of the amounts appropriated above $600 million, the Secretary is to retain 12.75 percent to support infant mortality projects and outpatient and community-based services for children with special health care needs. The remainder is available to the Secretary and the States in accordance with the current formula (15 and 85 percent, respectively). States are required to use at least 30% of their funds for preventive and primary care services for children, and at least 30% for children with special health care needs.

HISTORICAL SPENDING TRENDS

CBO estimates that between 1985 and 1989, Medicare spending will have grown 35 percent, from $71.4 billion to $96.5 billion. Spending for Part B services has grown more rapidly, increasing 68 percent compared with 19.5 percent for services under part A of the program.

Medicaid spending over the same five-year period increased 52.4 percent, from $22.7 billion to $34.6 billion. Funding for the Maternal and Child Health Block Grant was $478 million in 1985, and grew to $554 million in 1989, an increase of 15.9 percent. The authorization level for fiscal year 1991 is $686 million.

HEALTH PROGRAMS: HISTORICAL SPENDING

[Dollars in billions]

	Fiscal year—				
	1985	1986	1987	1988	1989
MEDICARE					
Part A	$48.7	$49.7	$50.8	$52.7	$58.2
Percent change		2.1	2.3	3.8	10.4
Part B	$22.7	$26.2	$30.8	$34.9	$38.2
Percent change		15.3	17.6	13.3	9.4
Total	$71.4	$75.9	$81.6	$87.7	$96.5
Percent change		6.3	7.6	7.4	10.0
MEDICAID					
Total	$22.7	$25.0	$27.4	$30.5	$34.6
Percent change		10.3	9.8	11.0	13.6
MATERNAL AND CHILD HEALTH					
Total (in millions)	$478	$457	$497	$527	$554
Percent change		—4.4	8.8	6.0	5.1

Source: Congressional Budget Office.

CHART 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS

[In millions of dollars]

		Fiscal year—					5-Year total
		1991	1992	1993	1994	1995	
MEDICARE PART A							
Reduce hospital capital (urban)	OMB	−1,360	−1,720	−1,880	−2,050	−2,220	−9,230
	CBO	−1,200	−1,510	−1,670	−1,845	−2,040	−8,265
Reduce hospital capital (rural)	OMB	−170	−210	−230	−250	−270	−1,130
	CBO	−115	−145	−160	−180	−195	−795
PPS update factor	OMB	−640	−820	−890	−920	−1,020	−4,290
	CBO	−590	−730	−810	−890	−950	−3,970
Reduce indirect medical education	OMB	−1,030	−1,300	−1,420	−1,540	−1,680	−6,970
	CBO	−1,030	−1,300	−1,450	−1,600	−1,750	−7,150
Cap resident-to-bed ratios	OMB	−10	−10	−10	−10	−10	−50
	CBO	−40	−45	−50	−50	−55	−240
Eliminate return on equity for SNFs	OMB	−70	−80	−80	−80	−90	−400
	CBO	−35	−40	−40	−45	−45	−205

Physician assistant offset	OMB	-5	-10	-10	-10	-10	-45
	CBO	-5	-10	-10	-10	-10	-45
Medicare Part A Total	OMB	-3,285	-4,150	-4,520	-4,860	-5,300	-22,115
	CBO	-3,035	-3,780	-4,190	-4,620	-5,045	-20,670
MEDICARE PART B							
Freeze update for nonprimary services [1]	OMB	-325	-500	-600	-700	-775	-2,900
	CBO	-330	-550	-620	-690	-760	-2,950
Overvalued procedures	OMB	-110	-180	-210	-240	-260	-1,000
	CBO	-120	-195	-220	-245	-270	-1,050
Overvalued localities	OMB	-50	-80	-100	-110	-120	- 460
	CBO	-50	-80	-100	-110	-120	-460
Limit radiology fee schedule	OMB	-110	-205	-235	-265	-295	-1,110
	CBO	-95	-160	-180	-200	-220	-855
Limit anesthesiology payments	OMB	-120	-220	-240	-270	-310	-1,160
	CBO	-115	-195	-220	-245	-270	-1,045
Limit payments for surgical global fees	OMB	-50	-90	-100	-110	-120	-470
	CBO	-40	-70	-75	-85	-95	-365
Offset payments for assistants at surgery	OMB	-120	-160	-180	-200	-220	-880
	CBO	-135	-150	-170	-190	-210	-855

CHART 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS—Continued

[In millions of dollars]

		Fiscal year—					5-Year total
		1991	1992	1993	1994	1995	
New physicians	OMB	−50	−80	−100	−110	−120	−460
	CBO	−55	−105	−130	−145	−160	−595
Limit technical components	OMB	−60	−100	−100	−120	−140	−520
	CBO	−20	−30	−35	−40	−45	−170
Reduce hospital outpatient payments	OMB	−570	−770	−900	−1,050	−1,210	−4,500
	CBO	−550	−725	−855	−1,005	−1,175	−4,310
Reduce outpatient capital	OMB	−100	−130	−150	−170	−200	−750
	CBO	−190	−225	−265	−310	−365	−1,355
Enteral-parenteral fee schedule	OMB	−10	−15	−20	−20	−20	−85
	CBO	−10	−15	−15	−15	−20	−75
Update DME fee schedule	OMB	−20	−30	−30	−40	−40	−160
	CBO	−35	−65	−80	−90	−100	−370
Limit oxygen payments	OMB	−20	−30	−40	−40	−40	−170
	CBO	−20	−35	−40	−45	−50	−190
Limit rental payments for DME	OMB	−90	−140	−160	−170	−190	−750
	CBO	−135	−230	−255	−285	−320	−1,225

National DME payment limit	OMB	−110	−200	−220	−250	−270	−1,050
	CBO	−110	−190	−210	−235	−265	−1,010
Clinical laboratory services	OMB	−60	−110	−130	−150	−170	−620
	CBO	−85	−145	−170	−190	−215	−805
Prior authorization	OMB	−64	−66	−68	−70	−71	−339
	CBO	−15	−30	−35	−40	−45	−165
Permanent floor on premiums at 25%	OMB	0	−673	−1,751	−3,129	−4,808	−10,361
	CBO	2	−548	−1,667	−3,012	−4,517	−9,742
Medicare Part B Total	OMB	−2,039	−3,779	−5,334	−7,214	−9,379	−27,745
	CBO	−2,108	−3,743	−5,342	−7,177	−9,222	−27,592
MEDICARE PARTS A AND B							
Reduce direct graduate medical education	OMB	−205	−215	−240	−250	−270	−1,180
	CBO	−160	−190	−195	−205	−215	−965
ESRD Secondary payer	OMB	−30	−40	−40	−50	−50	−210
	CBO	−45	−50	−55	−60	−60	−270
State and local employee offset	OMB	0	0	0	0	0	0
	CBO	*	2	7	15	25	49

CHART 14.—HEALTH PROGRAMS: ADMINISTRATION PROPOSALS—Continued

[In millions of dollars]

		Fiscal year—					5-Year total
		1991	1992	1993	1994	1995	
HMOs at 100% AAPCC	OMB	180	255	275	300	325	1,335
	CBO	190	270	295	335	370	1,460
Medicare Parts A and B Total	OMB	−55	0	−5	0	5	−55
	CBO	−15	32	52	85	120	274
GRAND TOTAL MEDICARE	OMB	−5,379	−7,929	−9,859	−12,074	−14,674	−49,915
	CBO	−5,158	−7,491	−9,480	−11,712	−14,147	−47,988
MEDICAID							
Expand managed care	OMB	25	95	25	0	0	145
	CBO	10	50	10	0	0	70
Effect of Medicare proposals	OMB	0	65	150	255	380	850
	CBO	−40	−25	60	150	255	400
TOTAL MEDICAID	OMB	25	160	175	255	380	995
	CBO	−30	25	70	150	255	470

[1] OMB estimate revised after President's budget submitted.

* Less than $1 million.

Chart 14

Health Programs: Administration Proposals

MEDICARE

The Administration budget proposes to reduce outlays and increase premiums under the Medicare program for fiscal year 1991 by $5.158 billion. This amount includes $3.035 in reduced payments to providers under Part A, and $2.108 billion in payment reductions and premium changes under Part B. It does not include increased revenue to the Hospital Insurance Trust Fund associated with proposals to include State and local government workers under Medicare. (See section on revenue). All estimates have been prepared by the Congressional Budget Office. Table 14 compares Administration and CBO estimates of Medicare savings proposals. Unless otherwise specified, the proposals are legislative, rather than regulatory, in nature.

Of the $5.158 billion in Medicare spending cuts, $3.9 billion, or 75 percent, would come from reducing payments to hospitals for both inpatient and outpatient services. Payments to physicians would be reduced roughly $990 million, less than 20 percent of the total.

MEDICARE PART A

The Administration budget proposes to reduce outlays under part A of the Medicare program by $3.035 billion for FY 1991.

1. *Reduce payments for hospital capital costs.*—The Administration budget proposes to reduce hospital capital payments by 15 percent for hospitals in rural areas and 25 percent for hospitals in urban areas for fiscal year 1991 and beyond. Budget reconciliation legislation reduced capital payments beginning in fiscal year 1987. The reduction was 15 percent in both fiscal years 1989 and 1990; urban and rural hospitals have been subject to the same reduction. As under current law, the Administration proposal would exempt hospitals designated as sole community hospitals. Fiscal year 1991 savings from this proposal would be $1.315 billion. Of this, $115 million would come from rural hospitals and $1.2 billion from urban hospitals. **(−$1.315 billion in FY 1991)**

2. *Prospective Payment System (PPS) update factor.*—Under current law, the update factor for fiscal year 1991 and subsequent years is equal to the increase in the market basket, which measures inflation in the price of goods and services that hospitals purchase. The Administration proposes that the fiscal year 1991 update factor for all hospitals under the prospective payment system be equal to the market basket minus 1.5 percent, a total increase estimated by CBO to be 3.3 percent. Under the 5.6 percent market basket assumed in the President's budget, the total update would be 4.1 percent. The Administration's market basket forecast

may change before the final regulation implementing the update factor is issued.

In its March 1st report, ProPAC will recommend updates averaging market basket minus 0.5 percent. The recommended update for rural hospitals will be market basket plus 2.1 percent; for urbans it will be market basket minus 0.9 percent. The separate urban and rural updates are the first part of a recommended three-year phase-out of the difference between the rural and "other urban" standardized amounts. **(−$590 million in FY 1991)**

3. Reduce payments for indirect medical education expenses.—Medicare pays teaching hospitals an additional amount for the indirect costs associated with training interns and residents. The Administration proposal would reduce the factor used to calculate the indirect teaching adjustment from 7.7 percent to 4.05 percent. GAO estimates that an adjustment between 3.73 and 6.26 percent would be justified. CBO estimates a range from 3 to 7 percent. In its March 1st report, ProPAC will recommend that the adjustment be lowered to 6.8 percent, with the savings redistributed in higher basic payment rates for all hospitals. **(−$1.03 billion in FY 1991)**

4. Reduce payments to teaching hospitals by capping intern- and resident-to-bed ratios at FY 1989 levels.—The indirect medical education adjustment is computed by applying a formula to each hospital's ratio of interns and residents to beds. The ratio is updated each year. The Administration proposal would cap each hospital's intern to bed ratio at its 1989 level. **(−$40 million in FY 1991)**

5. Eliminate return-on-equity payments for skilled nursing facilities.—Under Medicare's cost-based reimbursement system for skilled nursing facilities, for-profit facilities receive a return on equity payment. Equity is defined as capital used for patient care, net of depreciation, including loans from investors. The rate of return is equal to the interest rate earned by the Hospital Insurance Trust Fund. The Administration proposes to eliminate these payments. **(−$35 million in FY 1991)**

6. Physician assistant offset.—OBRA 86 authorized direct payment for physician assistant services if they are performed under the supervision of a physician in a hospital or nursing home. It also authorized the Secretary to apply offsetting reductions in payments to hospitals and nursing homes in order to avoid duplicate payment when the physician assistant is directly reimbursed. The Administration proposes to apply an offset to hospitals, on a hospital-specific basis. Hospitals located in both urban and rural manpower shortage areas would be exempt from the offset. The Administration may pursue a regulatory route for this proposal. **(−$5 million in FY 1991)**

MEDICARE PART B

The Administration proposes to reduce outlays under part B of the Medicare program by $2.108 billion for FY 1991.

1. Freeze update for non-primary services.—Under current law, Medicare payment for physicians' services is based upon the lower of the actual charge, the customary charge, or the prevailing charge in an area. The customary charge of a physician for a service is the amount he or she most frequently charges for that service. The prevailing charge for a service is the amount that will cover 75 percent of the customary charges for the service in an area.

Customary charges are updated to reflect changes in a physician's actual charges for a service. While prevailing charges are updated to reflect changes in customary charges in an area, the annual increase in prevailing charge levels is limited to the projected increase in the Medicare economic index (MEI) for the year involved. The MEI increase for 1991 is projected by CBO to be 4.1 percent and by the Administration to be 3.5 percent.

The Administration budget proposes to allow full updates for customary and prevailing charge levels for primary care services (home, office, nursing home, and emergency room visits) and to freeze customary and prevailing charges for other physicians' services for 1991.

The proposal would also consolidate customary and prevailing charge screens in a budget-neutral manner for 1991. **(—$330 million in FY 1991)**

2. Payment reductions for overvalued services.—The prevailing charge levels for some physicians' services exceed the estimated payment amounts for those services under a national fee schedule derived from a resource-based relative value scale. The Omnibus Budget Reconciliation Act of 1989 (OBRA '89) provides for establishment of such a fee schedule beginning in 1992.

As part of the transition to the fee schedule, OBRA '89 reduced payments for "overvalued" services by one-third of the difference between the prevailing charge and the estimated fee schedule amount for the service, subject to a 15 percent maximum reduction. A service was classified as overvalued if its national weighted average prevailing charge exceeded the estimated fee schedule amount by 10 percent or more.

The Administration budget proposes further reductions in payments for overvalued services, with reductions equal to two-thirds of the remaining difference between the prevailing charge and the estimated fee schedule amount for the service, subject to a 25 percent limit. A procedure would be classified as overvalued if its prevailing charge exceeds the estimated fee schedule amount by 5 percent or more. **(—$120 million in FY 1991)**

3. Reduce payments for overvalued localities.—The current system of paying for physicians' services under Medicare is based upon the historical pattern of charges for a service in an area, subject to certain limits. As a result, payment for the same service may vary from one locality to another to a degree not warranted by geographic variations in the cost of furnishing the service.

The Administration budget proposes to reduce payment for a service by the full amount of the difference between the prevailing charge in the locality and the national average prevailing charge, adjusted by a geographic practice cost index (GPCI). Reductions would be subject to a 25 percent limit.

This provision would not apply to any service that is (1) subject to reduction under the Administration's overvalued services proposal or its proposals relating to radiology or anesthesiology services or diagnostic tests, (2) a low-volume service, or (3) expected to be reimbursed at a higher average level under the resource-based fee schedule mandated by physician payment reform. **(−$50 million in FY 1991)**

4. Reduce radiology and anesthesiology fees.—Radiologist services are reimbursed under a fee schedule that is based upon a relative value scale. Payment covers both the physician's professional services (the "professional component") and the equipment, technical resources, and supplies needed to furnish the service (the "technical component"). Anesthesia services are also paid under a resource-based fee schedule.

While the relative value of a service does not vary geographically under either of these fee schedules, each locality has a separate "conversion factor" that is based upon the historical pattern of charges for covered services in that locality. (A conversion factor is a dollar amount that, when multiplied by the relative value of a service, produces the payment amount.) As a result, payment for a service will vary from one locality to another in a manner that reflects historical variations in charges rather than variations in the costs of furnishing the service.

The Administration budget proposes to reduce fees under these fee schedules by the amount they exceed estimated payments under a resource-based fee schedule for all physicians' services. In the case of radiologist services, the reductions would apply to only to the professional component. (See item 7 for proposed limitations on reimbursement for the technical component.)

The fee schedule amount for a locality would be estimated by computing a national average conversion factor, reducing it by 10 percent, and adjusting it by the appropriate geographic practice cost index value for the locality involved. Reductions would be subject to a 25 percent limit.

In addition, the Administration proposes to pay the same amount for anesthesia services regardless of whether an anesthesiologist personally furnishes the service or medically directs a certified registered nurse anesthetist (CRNA) who furnishes the service. In the latter case, payment to the anesthesiologist would be limited to the difference between the amount that would be payable if the anesthesiologist personally performed the service and the amount payable to the CRNA. **(−$210 million in FY 1991)**

5. Payments for surgery and related services.—Traditionally, Medicare has paid for surgical services on the basis of a "global" fee, which covers not only the operation but also certain pre- and post-operative services furnished by the surgeon. Among these services are in-hospital and post-hospital visits.

Under certain circumstances, Medicare will make an additional payment for the services of another physician or a physician assistant who serves as an assistant at surgery during an operation.

The Administration budget includes a proposal that would reduce surgical global fees to reflect a decrease in the average length of an inpatient hospital stay under Medicare, based upon a determination that the number of in-hospital visits by a surgeon would decrease with the length of stay. The reduction would be either a procedure-specific amount or, in the absence of procedure-specific data, a flat 2 percent.

The budget also proposes that Medicare pay the same amount for a surgery regardless of whether the surgeon utilizes the services of an assistant at surgery. Any separate payments made to an assistant at surgery would be offset against the amount of the surgeon's allowed charge. (Payments for other services furnished by a physician assistant would be offset against hospital payments under item 6 of the Administration's part A proposals.) **(−$175 million in FY 1991)**

6. Phase-in fee increases for new physicians.—Medicare payment for physicians' services is based upon the lower of the actual charge, the customary charge, or the prevailing charge for a service in an area. The customary charge of a physician for a service is the amount most frequently charged by the physician for that service. The prevailing charge for a service is the amount that will cover 75 percent of the customary charges for the service in an area.

Under current law, the customary charge of a new physician is limited to a specified percentage of the prevailing charge for a service in an area. The percentage is 80 percent in the case of first-year physicians and 85 percent in the case of second-year physicians.

The Administration budget proposes to extend and make permanent this phase-in, with payment being limited to 90 and 95 percent of the allowable amount for third- and fourth-year physicians, respectively.

Until 1992, these percentages would be applied against prevailing charge levels. For 1992 and thereafter, they would be applied against the fee schedule amount determined under the resource-based relative value scale mandated by the physician payment reform proposal enacted in 1989.

Current law exceptions for primary care services and services furnished in a rural health manpower shortage area would be retained. **(−$55 million in FY 1991)**

7. Technical component of radiology and diagnostic tests.—Medicare payments for radiology services and other diagnostic tests cover both the physician's professional services (the "professional component") and the equipment, technical resources, and supplies needed to perform the test (the "technical component").

Under current law, the amount paid for the technical component of a radiology service or diagnostic test varies geographically based upon historical variations in the charges for the service.

The Administration budget includes a proposal to cap the amount paid for the technical component of a service or test in a locality at the national median among carriers for that component. **(−$20 million in FY 1991)**

8. Voluntary hospital physician participation.—Under current law, a physician may become a "participating physician" by agreeing to "accept assignment" for services furnished to Medicare beneficiaries; under this arrangement, the physician accepts the Medicare-allowable payment amount as payment-in-full for his or her services and may collect from the beneficiary only the applicable deductible and coinsurance amounts.

The Administration budget includes a proposal to permit a hospital to advertise itself as a "Medicare participating physician medical staff hospital" if it agrees to guarantee that assignment will be accepted for the following services furnished at the facility: emergency services, radiology, anesthesia, and pathology services, and consultations. **($0 in FY 1991)**

9. Reduce hospital outpatient payments.—The Administration budget would reduce Medicare payments for certain outpatient hospital services (including payments for associated capital-related costs) by 10 percent.

In addition the capital-related costs of all outpatient hospital services would be reduced under the proposal. In the case of rural hospitals, the 15 percent reduction in effect during most of FY 1990 would be extended for FY 1991; in the case of urban hospitals, the reductions would be increased from the 15-percent level in effect for 1990 to 25 percent for FY 1991.

In the case of services subject to reduction under the first part of the proposal, the 10 percent reduction in associated capital-related costs would be netted against the 15 or 25 percent reduction required under the second part of the proposal, so that the total reduction in capital-related costs would not exceed 15 and 25 percent for rural and urban hospitals, respectively. **(−$740 million in FY 1991)**

10. Durable medical equipment.—Under current law, Medicare pays for durable medical equipment (DME) on a fee schedule basis, with geographic variation in the amount payable for the same item. There are six different fee schedules, one for each major category of DME. Between 1991 and 1993, regional fee schedules are to be phased in for three of the categories. Unless otherwise specified by law, the fee schedules are updated annually by the increase in the consumer price index (CPI).

The Administration budget proposes to limit payment for an item of DME to the national median of the fee schedule amounts payable for that item in different parts of the country. It would also eliminate the regional fee schedules provided under current law.

In addition, it would provide a full inflation update for 1991 only to the extent that the resulting fee is below the national median limit. Both CBO and the Administration estimate the inflation update for 1991 to be 3.6 percent.

It also proposes to change the basis for computing payments under one of the major categories of DME (which includes wheelchairs and hospital beds) from the average submitted charge during a base period to the average Medicare-allowable payment for that period. This proposal would also limit total rental payments for an item included in this category to 120 percent of the recognized price rather than 150 percent, as provided under current law.

In addition, it would reduce reimbursement for oxygen by 5 percent and provide rental payments for frequently serviced items for 15 months, after which a payment for maintenance would be made every 6 months.

Finally, the Administration proposes to establish a fee schedule for enteral nutrients and other supplies based upon wholesale and retail price information, as well as to revise reimbursement for enteral and parenteral equipment (primarily pumps and IV poles). **(−$310 million in FY 1991)**

11. Competitive bidding for lab services and DME.—The Administration budget indicates that the Health Care Financing Administration is giving "serious consideration" to implementing demonstration projects involving competitive bidding for clinical laboratory services and durable medical equipment.

A legislative moratorium on a competitive bidding demonstration project for clinical laboratory services expired at the end of 1989. A similar moratorium for durable medical equipment expires at the end of 1990. **($0 in 1991)**

12. Clinical laboratory services.—Clinical laboratory services are paid for by Medicare under statewide or carrierwide fee schedules. The fee for a particular service is subject to a national limit, currently set at 93 percent of the national median for all fee schedule amounts for that service. Unless otherwise specified by law, fee schedule amounts are updated annually by the percentage change in the CPI.

The Administration budget proposes to reduce the national limit to 90 percent for non-profile tests and 80 percent for profile and other standardized test packages.

In addition, it would provide a full inflation update for 1991 only to the extent that the resulting fee is below the applicable limit. CBO estimates that the full update for 1991 will be 4.4 percent, while the Administration projects an update of 4.1 percent. **(−$85 million in FY 1991)**

13. Provide prior authorization authority to carriers.—Claims submitted under part B of the Medicare program are processed and paid by organizations that are known as "carriers."

Under current law, peer review organizations (PROs) may require prior authorization of hospital admissions and certain surgical procedures. Carriers are not authorized to do this.

The Administration budget proposes to extend this authority to carriers, so that they might, for example, require prior authorization where a pattern of overutilization by a physician has been identified. **(−$15 million in FY 1991)**

14. Part B premium.—The part B premium was originally set at a level to cover 50 percent of program costs, but subsequently the increase in the premium from year to year was limited to the most recent percentage increase in Social Security cash benefits. As a result, the percentage of program costs covered by the premium dropped to 24 percent by 1981, and legislation was enacted to hold the premium at 25 percent of program costs through 1984. This provision was extended on a number of occasions, but will expire at the end of 1990.

The Administration budget would establish the part B premium at the greater of 25 percent of program costs or the previous year's premium, increased by the annual percentage increase in Social Security cash benefits. This provision would be permanent. **($2 million in 1991)**

MEDICARE PARTS A AND B

Three of the Administration's Medicare proposals would affect outlays in both parts A and B of the program. CBO estimates a net savings from these proposals of $15 million. This amount reflects a net $−70 million savings from part A and $55 million in additional costs under part B. CBO also estimates out-year costs associated with the proposed coverage of state and local employees under Medicare (see revenue section).

1. Increase payments to HMOs.—Under current law, a health maintenance organization (HMO) with a Medicare risk contract is paid, for each Medicare enrollee, an amount equal to 95 percent of the adjusted average per capita cost (AAPCC) for the class of beneficiaries to which the enrollee belongs. The AAPCC is computed by estimating the amount Medicare would pay to furnish covered services in an area to beneficiaries who are not enrolled in an HMO.

The Administration budget proposes to increase payments to these HMOs to 100 percent of the AAPCC, with part of this increase being offset by an incentive payment to the beneficiary. **($190 million in FY 1991)**

2. Reduce payments for direct graduate medical education costs.—Currently, the salaries and direct costs of training medical residents are reimbursed based on a hospital-specific average salary applied to the hospital's weighted average number of medical residents. The Administration proposes to replace the hospital-specific average salary with a national average salary amount. In addition, the proposal would weight primary care residents at 180 percent of the per-resident amount, and non-primary care residents in their initial residency period at 140 percent of the per-resident amount. These weighting factors are intended to encourage primary care residencies. **(−$160 million in FY 1991)**

3. Extend ESRD secondary payor period.—Under current law, Medicare is the secondary payor, for a 12-month period, for ESRD-eligible beneficiaries with employer-based health care insurance.

The Administration budget would extend the period during which employer-based coverage is primary from 12 to 18 months. **(−$45 million in FY 1991)**

MEDICAID

The Administration budget includes a proposal that would increase Federal spending for FY 1991 under the Medicaid program by $10 million. This proposal would encourage States to develop managed care for Medicaid beneficiaries.

The proposed floor on Medicare Part B premiums and other changes in part B of Medicare are estimated by CBO to save the Medicaid program $40 over current law in FY 1991.

1. Managed Care Initiative.—As described below, there are three main aspects to the Administration's managed care proposal. All of these proposals would require legislative changes. **($10 million in FY 1991)**

a. Matching rate modifications.—Under this managed care proposal, States would receive an additional 3 percentage points in their Federal matching rate for the costs associated with Medicaid beneficiaries newly enrolled in managed care programs. Beginning in FY 1993, the States would receive the enhanced matching rate for all managed care expenditures.

Also beginning in 1993, States would receive reduced matching rates for most costs associated with care provided on a fee-for-service basis. Excepted from the reductions would be payments for services in rural and medically underserved areas and in nursing facilities, and for services to certain high-risk beneficiaries, such as pregnant women and infants. The reduction would be limited to a maximum of 1 percentage point in FY 1993, 2 percentage points in FY 1994, and 3 percentage points in FY 1995 and beyond. The proposed reductions would not exceed the amount necessary to offset the nationwide costs of the increased matching rates for managed care expenditures.

b. State option for certain mandated managed care programs.—The Administration proposes to allow states to implement certain managed care programs through their Medicaid state plans without having to apply for a waiver. As part of this new state option, the Administration proposes that the Secretary be given the authority to conduct periodic quality reviews of the HMOs and other providers involved in the managed care option and to terminate their participation if quality standards are not met.

c. Relaxation of enrollment requirements for certain Medicaid HMOs.—The Administration proposes to make several changes in current eligibility requirements for certain Medicaid HMOs. First, for Medicaid HMOs that are publicly operated or are located in medically underserved areas, the Administration proposes to eliminate the requirement that 25% of enrollment be composed of patients not eligible for Medicare or Medicaid. Instead, the Secretary would conduct periodic quality reviews of these HMOs.

Second, for all HMOs, the Administration proposes to permit states to extend Medicaid HMO eligibility for one month following a beneficiary's disqualification for AFDC.

Finally, for "state-plan defined" HMOs, the Administration proposes to permit states to guarantee eligibility and restrict voluntary disenrollment (without cause) for up to six-months. (Currently, such eligibility requirements may be applied only to federally qualified HMOs.)

2. Effect of Medicare Part B proposals.—Since the Medicaid program pays the Medicare Part B premiums for low-income elderly and disabled Medicaid beneficiaries, the Administration's proposal to set a floor on Part B premiums and other proposed changes in part B will affect Federal Medicaid expenditures. (**—$40 million in FY 1991**)

MEDICARE AND MEDICAID

1. Survey and certification fees.—The Administration proposes to begin charging health care facilities a fee for the costs of Medicare and Medicaid survey and certification. These fees, along with the fees collected pursuant the Clinical Laboratory Improvement Amendments of 1988 would be deposited in a Survey and Certification Revolving Fund.

MATERNAL AND CHILD HEALTH BLOCK GRANT

The Maternal and Child Health Block Grant program is authorized at $686 million in FY 1991 and each year thereafter. In FY 1991, the Administration proposes to fund the Title V Block Grant at the same level as last year, $554 million. The Administration also proposes to spend an additional $25 million to fund a "one-stop shopping" initiative under a separate program. This program would provide grants and technical assistance to States and community-based organizations to encourage them to simplify access to services for pregnant women and infants by coordinating or co-locating various health and social service programs. The total spending for the Title V Block Grant and the new grant program would be $578.6 million.

Chart 15.—INTEREST

[In billions of dollars]

	Fiscal year—		
	1991	1992	1993
A. Administration Budget:			
Gross Interest:			
Interest on the public debt	260	259	260
Interest on tax refunds	2	2	2
Offsets:			
Interest paid to trust fund	69	78	88
Interest on Federal Financing Bank loans	13	12	11
Other offsetting interest	7	7	7
Net Interest	173	163	157
Federal Reserve Deposits	21	21	21
Budgetary impact of interest	152	142	136
B. CBO Baseline:			
Interest on the public debt	272	287	304
Net interest	185	192	199

Chart 15

Interest

One of the budget accounts assigned to Finance Committee jurisdiction is the account entitled Interest on the Public Debt. This account reflects the total interest payments made on governmental securities. The major determinants of the amount of outlays for this account are the accumulated debt from prior years and the interest rate. To a lesser extent, the level of deficit for the current year also affects interest outlays. At current debt levels, a one percent change in interest rates would affect FY 1991 outlays in this category by about $11 billion.

The overall impact of interest on the budget deficit is offset by several factors shown on this chart. The largest offset is interest paid to trust funds. Since the income of trust funds is counted towards determining the "Gramm-Rudman-Hollings" deficit targets, the outlay effect of interest paid to trust funds is offset by the income effect of that same interest received by trust funds.[1] Other interest receipts and particularly interest on Federal Financing Bank loans also offset a portion of interest on the public debt. In addition, the budgetary impact of interest is further reduced by the fact that a portion of outstanding Federal securities are held by Federal Reserve Banks. The bulk of the interest earned on those securities is deposited back to the Treasury by the Federal Reserve.

---

[1] Although trust fund interest earnings are used to partially offset the outlays for interest on the public debt from a short-term budgetary perspective, those interest payments do represent a long-term commitment of the Federal Government to the trust fund program which ultimately will have to be redeemed to meet the needs of the program.

CHART 16.—TRADE ADJUSTMENT; CUSTOMS USER FEES: ADMINISTRATION PROPOSALS

[In millions]

	Fiscal year			Total
	1991	1992	1993	
End trade adjustment benefits	−181	−222	−238	−641
End customs user fees	−806	−822	−839	−2,467

Chart 16

Trade Adjustment; Customs User Fees: Administration Proposals

TRADE ADJUSTMENT ASSISTANCE

The Trade Adjustment Assistance (TAA) program provides benefits to workers laid off and firms injured on account of import competition. Under the program for workers, administered by the Labor Department, certified workers are entitled to cash payments essentially equivalent to extended unemployment insurance benefits. They may also receive job-search, relocation, and retraining assistance. The program for firms, administered by the Commerce Department, makes technical assistance available to approved firms.

The Omnibus Trade and Competitiveness Act of 1988 made substantial changes to the TAA program. With its enactment, workers are required to enter approved training programs in order to receive TAA cash payments, unless training is not feasible or appropriate. Workers are also entitled to payment for the costs of their training programs, up to a total limit of $80 million annually.

Originally established under the Trade Expansion Act of 1962, the TAA program was authorized until September 30, 1985. There after, it was temporarily extended several times. Authority for the program lapsed temporarily on December 19, 1985, but was restored in April 1986 both retroactively to December 19, 1985 and prospectively for six years to September 30, 1991 with enactment of the Consolidated Budget Reconciliation Act of 1985. Authority for the program was extended until September 30, 1993 with enactment of the Omnibus Trade and Competitiveness Act of 1988.

In its 1991 budget request, the Administration proposes that both the workers and firm TAA programs be repealed, effective October 1, 1990. The Administration proposes to assist workers adversely affected by imports through the Economic Dislocation and Worker Adjustment Assistance program.

Customs User Fees

The 1986 Budget Reconciliation Act established a customs merchandise user fee, which went into effect on December 1, 1986, as a charge of 0.22 percent ad valorem in fiscal year 1987 and 0.17 percent ad valorem in fiscal years 1988 and 1989 on entries of imported merchandise. There is a separate schedule of customs user fees to cover Customs' costs of processing the arrival of vessels, trucks, trains, private boats and planes, and passengers. The law requires the fees to be deposited into a dedicated account and to be available, subject to authorization and appropriation, to offset the cost of salaries and expenses of the Customs Service for commercial operations.

The Omnibus Budget Reconciliation Act of 1987, among other things, extended the expiration date for the merchandise user fee for one additional year, until September 30, 1990 (at the 0.17 percent ad valorem rate), and modified the exemption for articles entering under former schedule 8 of the Tariff Schedules (now covered by of the Harmonized Tariff Schedule). The Administration will propose legislation to make the merchandise user fee permanent legislation and to restructure the fee consistent with the General Agreement on Tariffs and Trade.

CHART 17.—TAX REVENUES UNDER PRESENT LAW

[In billions of dollars]

	Current Services		CBO Baseline	
	1991	1992	1991	1992
Individual Income	524	560	529	564
Corporate Income	129	141	111	116
Social Insurance	417	444	412	437
Excise Taxes	35	35	34	32
Other [1]	52	55	53	54
TOTAL	1,156	1,235	1,139	1,203

[1] Includes estate and gift taxes, customs duties, and other miscellaneous receipts.

Chart 17

Tax Revenues Under Present Law

The current services projections represent the Administration's estimate of what federal tax revenues would be under existing law. Similarly, the CBO baseline represents the Congressional Budget Office's projections of Federal revenue if current policies remain unchanged.

Under President Bush's 1991 budget proposals, total receipts would rise to $1,170 billion in 1991 and $1,246 in 1992. These proposals are listed in chart 17.

Chart 18.—DESCRIPTION OF BUSH ADMINISTRATION PROPOSALS ON RECEIPTS

[In billions of dollars]

	1991	1992	1993
1. Capital Gains	4.9	2.8	1.2
2. IRS Management Reforms	2.5	1.1	0.5
3. State and Local Employees [1]	3.8	3.9	4.0
4. Telephone Excise Tax [1]	1.6	2.5	2.7
5. Payroll Tax Deposit Rules	0.9	2.2	−3.1
6. IRS Enforcement Funding	0.5	0.8	1.3
7. Airport and Airway Trust Fund Excise Taxes [1].	0.5	0.8	0.9
8. Ad Valorem Fee on Shippers [1]	0.3	0.3	0.3
9. Permit Limited Use of Excess Pension Funds to Pay Retiree Health Benefits.	0.2	0.4	0.2
10. Treatment of Salvage Value by Property and Casualty Insurance Companies.	0.2	0.2	0.2
11. SEC Fees	0.1	0.1	0.1
12. Federal Reserve Reimbursement	0.1	0.1	0.1
13. IRS User Fee	0.1	0.1	0.1
14. Abandoned Mine Reclamation Fees [1]		0.1	0.3
15. CFTC Fee	(*)	(*)	(*)
16. Liquor Occupation Taxes	(*)	(*)	(*)
17. D.C. Employees:			
CSRS contribution	(*)	(*)	(*)
OASDHI coverage	(*)	(*)	(*)
18. FEMA Fees	(*)	(*)	(*)
19. Corps of Engineers Fees	(*)	(*)	(*)
20. R&E Tax Credit	−0.5	−0.9	−1.1
21. R&E Allocation Rules	−0.4	−0.7	−0.8

Chart 18.—DESCRIPTION OF BUSH ADMINISTRATION PROPOSALS ON RECEIPTS—Continued

[In billions of dollars]

	1991	1992	1993
22. Energy Tax Incentives	—0.3	—0.5	—0.5
23. Family Savings Accounts	—0.2	—0.6	—1.0
24. Health Insurance Deduction for Self-employed.	—0.2	—0.4	—0.5
25. Low-income Housing Credit	—0.1	—0.3	—0.4
26. Enterprise Zones	(—*)	—0.2	—0.3
27. Early Withdrawals from IRAs	(—*)	—0.1	—0.1
28. Delay Federal Pay Raise	(—*)	—0.1	—0.1
29. Child Care Credit [2]	(—*)	(—*)	(—*)
30. Railroad UI	(—*)	(—*)	(—*)
31. Special Needs Adoption	(—*)	(—*)	(—*)
32. Other Proposals	—0.1	—0.2	(—*)

---

*$50 million or less.

[1] Net of income tax offsets.

[2] Reflects only the effect of the proposal on budget receipts. The proposal increases outlays by the following amounts: 1991, $0.2 billion; 1992, $1.8 billion; and 1993, $2.0 billion.

Chart 18

Description of Bush Administration Proposals on Receipts

1. *Capital Gains.*—The Administration proposes to allow individuals, beginning in 1990, to exclude a percentage of gain on capital assets as defined under present law, except that collectibles would be excluded. After 1991, the exclusion would increase based on the length of time the asset was held: 30 percent for assets held 3 years or more, 20 percent for assets held at least 2 years but less than 3 years, and 10 percent for assets held at least 1 year but less than 2 years. The alternative minimum tax would apply to excluded amounts and all depreciation would be recaptured in full as ordinary income.

2. *IRS Management Reforms.*—The Administration intends that IRS will undertake several management initiatives that would increase revenue yields without requiring additional expenditures.

3. *State and Local Employees.*—The Administration proposes extending mandatory social security (OASDI) coverage to State and local government employees who do not participate in retirement plans. The Administration also proposes extending mandatory Medicare hospital insurance (HI) coverage to State and local employees not otherwise covered under present law, effective October 1, 1990.

4. *Telephone Excise Tax.*—The Administration proposes making the current 3 percent Federal excise tax on telephone service permanent. Under existing law, the excise tax is scheduled to expire at the end of 1990. The Administration also proposes to move the deposit date for the tax.

5. *Payroll Tax Deposit Rules.*— The Administration proposes that payroll tax deposits of $100,000 or more must be made by the close of the next banking day.

6. *IRS Enforcement Funding.*—The Administration proposes to increase budget authority for the IRS to about $6.1 billion. IRS funding for enforcement would be increased.

7. *Airport and Airway Trust Fund Excise Taxes.*— The Administration proposes to repeal the aviation tax reduction "trigger." The Administration also proposes to extend the excise taxes beyond 1990 and increase the air passenger ticket tax from 8 percent to 10 percent, the domestic air freight tax from 5 percent to 6.25 percent, and the noncommercial aviation taxes from 12 cents per gallon to 15 cents per gallon for gasoline and from 14 cents per gallon to 17.5 cents per gallon for jet and other fuels.

8. *Ad Valorem Fee on Shippers.*—The Administration proposes to increase the ad valorem fee on shippers from 0.04 percent of cargo value to approximately 0.125 percent of cargo value.

9. *Permit Limited Use of Excess Pension Funds to Pay Retiree Health Benefits.*—The Administration proposes to permit the trans-

fer of excess pension plan assets to a section 401(h) medical benefits account within the plan without termination or disqualification of the plan, under certain restrictions.

10. *Treatment of Salvage Value by Property and Casualty Insurance Companies.*—The Administration proposes that the deduction for losses incurred by property and casualty insurance companies should be reduced by estimated recoveries of salvage (including subrogation claims) attributable to such losses, beginning after December 31, 1989.

11. *Securities and Exchange Commission (SEC) Fees.*—The Administration proposes to increase the fee on securities market transactions from 1/300 to 1/200 of 1 percent of dollar value of sales, and to expand this fee to apply to most over-the-counter securities transactions. The Administration also proposes to increase the fee charged for merger or proxy filing from 1/50 to 1/40 of 1 percent of the value of the transaction, and the registration fee on securities from 1/50 to 1/40 of 1 percent of the value of the securities.

12. *Federal Reserve Reimbursement.*—The Administration proposes to establish a permanent, indefinite appropriation to reimburse Federal Reserve banks for their services as fiscal agents for the Bureau of the Public Debt. This would result in a corresponding increase in deposit of earnings by the Federal Reserve System.

13. *IRS User Fee.*—The Administration proposes to extend permanently the existing fee on private letter ruling and similar requests.

14. *Abandoned Mine Reclamation Fees.*—The Administration proposes to extend permanently the abandoned mine reclamation fees, which would expire in August 1992 under current law.

15. *Commodity Futures Trading Commission (CFTC) Fee.*—The Administration proposes to impose a futures market transactions fee of 11 cents per transaction, effective October 1, 1990.

16. *Liquor Occupation Taxes.*—The Administration proposes to eliminate the special occupational taxes currently levied on liquor retailers and increase the existing taxes on wholesalers and manufacturers.

17. *District of Columbia (D.C.) Employees.*— The Administration proposes to require the D.C. government to phase in payments for current Civil Service Retirement System cost of living (COLA) liabilities and to pay the cost of COLAs for post-1986 CSRS annuitants. The Administration also proposes to extend Social Security and Medicare hospital insurance (OASDHI) coverage to all newly hired D.C. government employees, effective January 1, 1991.

18. *Federal Emergency Management Agency (FEMA) Fees.*—The Administration proposes to impose user fees on the owners of nuclear power plants.

19. *Corps of Engineers Application Fees.*— The Administration proposes to collect fees on requests for permits for development or other activities on navigable waterways and wetlands.

20. *Research and Experimentation (R&E) Tax Credit.*—The Administration proposes making permanent the R&E tax credit, with 100 percent of research expenses eligible in 1990.

21. *Allocation of Research and Experimentation (R&E) Expenses.*—The Administration proposes making permanent the R&E

allocation rules, as modified by the Omnibus Budget Reconciliation Act of 1989.

22. *Energy Tax Incentives.*—The Administration makes four proposals to boost energy production: a 10 percent tax credit for the first $10 million of exploratory intangible drilling costs and a 5 percent credit for the balance of such costs; a 10 percent credit for new tertiary enhanced recovery projects; for percentage depletion, eliminating the transfer rule and increasing the net income limitation for independent producers; and eliminating 80 percent of the exploratory intangible drilling cost preferences of independent producers from the minimum tax.

23. *Family Savings Accounts.*—The Administration proposes to create a new type of savings account, the "Family Savings Account." Although no current-year tax deduction would be available for contributions to these accounts, the contributions and the earnings could be withdrawn tax-free, as long as the account was maintained for at least seven years. Withdrawals of earnings on contributions maintained in the account for less than three years would be subject not only to regular income tax, but also to a 10 percent excise tax penalty. The proposal would allow contributions of up to $2,500 a year for single individuals with income of $60,000 or less, and $5,000 a year for families with income of $120,000 or less.

24. *Health Insurance Deduction for Self-employed.*—The Administration proposes to extend permanently the 25 percent deduction for health insurance expenses of self-employed individuals, which would expire after September 30, 1990 under current law.

25. *Low-income Housing Tax Credit.*—The Administration proposes to extend the low-income housing tax credit, as modified by the Omnibus Budget Reconciliation Act of 1989, through 1991 with 100 percent of the credit available in 1990.

26. *Enterprise Zones.*—The Administration proposes targeting new employment- and capital-based tax incentives to businesses that locate in designated enterprise zones. Under the Administration's proposal, up to 50 zones would be eligible for these tax benefits.

27. *Waive Excise Tax for Early Withdrawals from IRAs.*—The Administration proposes to permit penalty-free withdrawals from some Individual Retirement Accounts (IRAs) to purchase a first home.

28. *Delay the Federal Employee Pay Raise.*—The Administration proposes to delay the Federal employee pay raise 3 months from October 31, 1990 to January 1, 1991.

29. *Child Care Credit.*—The Administration proposes establishing a new refundable child care tax credit of up to $1,000 for each child under age four for families with adjusted gross income up to $13,000; the income ceiling would be gradually raised to $20,000 by 1995. The Administration proposal would also make the existing child and dependent care credit refundable.

30. *Railroad UI Reimbursable Status.*—The Administration proposes to extend beyond 1990 the exemption from the full railroad unemployment tax rate provided to public commuter railroads. The Administration proposal would also extend the same exemption to Amtrak beginning in 1991.

31. *Deduction for Special Needs Adoption.*—The Administration proposes restoring a deduction of up to $3,000 for the expenses associated with adopting special needs children.

32. *Other Proposals.*—Other Administration proposals affecting receipts include modification of the EPA pesticide fee and an increase in the HUD interstate land sales fee.

Chart 19.—TAX EXPENDITURES

[In billions of dollars]

	Outlay equivalent		Revenue loss	
	1990	1991	1990	1991
National defense	2.3	2.4	2.0	2.0
International affairs	6.8	7.3	4.9	5.3
General science, space, and technology	3.4	2.9	2.7	2.5
Energy	1.2	1.5	1.4	1.7
Natural resources and environment	2.9	2.8	2.5	2.5
Agriculture	0.5	0.5	0.6	0.5
Commerce and housing	151.6	154.7	145.3	148.9
Transportation	0.2	0.2	0.1	0.1
Community and regional development	2.7	2.9	2.1	2.2
Education, training, employment and social services	23.1	24.4	20.9	22.1
Health	51.4	56.8	42.9	47.4
Income security	80.7	84.7	63.3	66.5
Social security	19.9	20.9	19.9	21.0
Veterans benefits and services	1.9	2.0	1.9	1.9
General government	37.0	39.2	33.6	35.5
Interest	1.1	1.1	1.0	1.1

Chart 19

Tax Expenditures

The concept of tax expenditures was developed in order to compare the Federal Government's outlays to the budgetary impact of various deductions, deferrals and credits in the tax structure. It was intended that, with this information, consideration of the budget might involve examination of both direct expenditures and tax expenditures as alternate means of providing incentives.

The Budget Act defines tax expenditures as "revenue losses" attributable to provisions of the Federal tax laws that allow a special exclusion, exemption, or deduction from gross income, or which provide a special credit, a preferential rate of tax, or a deferral of liability. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term encompasses tax provisions of limited applicability, which are exceptions to provisions of more general applicability considered necessary to make the tax system function.

The definition of "tax expenditure" is not precise. This imprecision has resulted in substantial controversy. Chart 18 includes all items listed as tax expenditures by the Administration. A listing of a provision as a "tax expenditure" here is not intended to imply approval or disapproval, or any judgment about the effectiveness of any provision.

Chart 18 presents a summary of tax expenditures by budget functional category. The chart reflects both the Administration's estimate of the budget outlay equivalent for tax expenditures and the Administration's estimates of the revenue loss for tax expenditures.

Tax expenditure estimates should not be interpreted as the increase in Federal receipts (or reduction in the budget deficit) that would result if a provision were repealed. Repeal of some provisions could affect the aggregate level of income and economic growth. Many tax expenditures are not independent of each other; their values are largely interdependent. Additionally, the annual value of tax expenditures is very time-dependent.

The tax expenditure table from the President's budget is reprinted in Appendix E.

Chart 20.—DEBT LIMIT

[In trillions of dollars]

Fiscal 1991 Debt Limit:	
Current debt limit	3.123
Administration estimate of debt subject to limit on September 30, 1990	3.071
Plus:	
Federal funds deficit for fiscal 1991	0.216
Other transactions [1]	−0.011
Equals:	
Debt subject to limit on September 30, 1991	3.277

---

[1] For example, increase or decrease in cash balances, "profit" on coinage, increase or decrease in certain debt holdings which are not subject to limit.

Chart 20

Debt Limit

Since 1983, the practice of Congress has generally been to increase the statutory limit on the public debt on a permanent basis. The current debt limit of $3.1227 trillion was established by Public Law 101-140, which was enacted on November 8, 1989. With a permanent debt limit, the exact date at which an increase will be needed cannot be accurately projected well in advance. The Budget submitted by President Bush indicates a debt level of $3.071 trillion by September 30, 1990 and $3.277 trillion by September 30, 1991. This would indicate a need for legislation raising the debt ceiling after the end of the current fiscal year.

The annual increase in the amount of debt subject to limit corresponds closely to the Federal funds deficit, that is the deficit in that part of the Federal Government which is financed by general revenues rather than through trust fund operations. (Trust fund surpluses do not lower the total borrowing needs of the Government; they simply allow the Government to meet those needs by borrowing from the trust funds rather than from the general public.)

APPENDIX A

Committee on Finance Reports to the Budget Committee with Respect to Fiscal Year 1990

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC, March 7, 1989

Hon. JAMES R. SASSER,
Chairman, Committee on the Budget,
U.S. Senate,
Washington, DC.

DEAR MR. CHAIRMAN:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting to you the attached document presenting the views and estimates of the Committee on Finance with respect to the fiscal year 1990 budget. I am also enclosing a committee print which provides additional information on matters within the jurisdiction of the Committee on Finance.

Sincerely,

LLOYD BENTSEN, *Chairman*

Attachment.

March 7, 1989

Views and Estimates of the Committee on Finance With Respect to the Budget for Fiscal Year 1990

Overall budgetary situation.—Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1993. In any given year, automatic cuts in spending levels will be triggered if the required deficit reduction has not been achieved as determined by the Office of Management and Budget. The President's budget for fiscal year 1990 projects a deficit which meets the target, but only if current policies (including appropriations) are changed sufficiently to reduce the disparity between spending and revenues by approximately $27 billion. The baseline estimates of the Congressional Budget Office would indicate that an even larger amount of deficit reduction would be required to meet the goal of having a deficit for fiscal year 1990 which does not exceed $100 billion.

As the committee with primary legislative responsibility for financing the operations of the Government, the Committee on Finance is keenly aware of the importance of reducing the massive deficits of recent years. At the same time, the Committee recognizes that Congress retains a responsibility to deal with the high-priority needs of the nation, and many of the programs within Finance Committee jurisdiction are vital to the health and well-being of the citizens of this country.

It is clear, in any case, that effective action against the deficits requires cooperative efforts on the part of the Congress and the Administration. We look forward to working with the Administration in fashioning those details of the budgetary program which involve matters within the jurisdiction of this committee.

Tax proposals.—As noted above, the President's Budget projects a baseline deficit under the Gramm-Rudman-Hollings statute which must be reduced by approximately $27 billion if we are to meet the revised goals set by Congress and the Administration in 1987. That situation could worsen if economic conditions develop unfavorably in the next few months. The President's budget does include several revenue proposals. Some of these would reduce the deficit while others would increase it. The Committee is committed to assuring that any revenue changes it may propose will be designed in such a way as not to worsen the deficit. The Committee believes, however, that revenues are unlikely to play a role in meeting this year's deficit reduction goals unless there is bipartisan agreement on such an approach. In the absence of bipartisan agreement, the budget resolution should contain no reconciliation instruction directing the Committee on Finance to propose revenue increases.

Medicare.—The Committee notes that the Medicare program has over the past several years borne much of the burden of outlay reduction. While that program does represent a major element of Federal spending, it cannot continue indefinitely to absorb major cutbacks without damaging the health care system in ways which will ultimately be harmful to the nation and the program's beneficiaries. The Committee will of course continue to carefully review this program to assure that it is operating on a fiscally sound and efficient basis. The Committee strongly believes, however, that the Congressional budget for fiscal year 1990 should not be based on any assumption of significant cutbacks in Medicare. Specifically, the Committee feels that the level of Medicare deficit reduction projected in the President's budget ($5 billion in fiscal year 1990; $24 billion over fiscal years 1990–1992) exceeds the level that it will be willing to recommend.

Welfare reform.—In the last Congress, a major reform of the welfare system was enacted into law. This legislation has the potential for changing welfare in this nation from a program of dependency into a program which provides recipients with the tools to be independent, productive members of society. It is crucial to the success of this legislation that it be adequately funded in accord with the statutory entitlements (including the new JOBS program) established last year. The Congressional budget should assume both that entitlement funding and funding to implement several provisions of the welfare reform legislation which were adopted on a non-entitlement basis as discretionary authorizations. This includes, for example, funds for research and evaluation. The full cost of funding the welfare reform legislation, from a budgetary standpoint, was offset by financing provisions in that same act.

Children's initiatives.—While the Committee is deeply concerned with the need for deficit reduction, the existence of that deficit does not relieve the nation of its responsibility to find ways to improve the lives of its children, especially those who are poor or disabled. The Committee expects to propose meeting that responsibility by implementing new initiatives in the areas of child welfare, child care, and child health. Several elements of the Committee's jurisdiction are closely involved with those areas including: the tax code; the social services program under title XX of the Social Security Act; the adoption assistance, foster care, and child welfare services programs; Medicaid; and the maternal and child health program. While the Committee has not yet had the opportunity to review or develop specific proposals in these areas, we recommend that the budget resolution accommodate new children's initiatives in these Finance Committee programs in fiscal year 1990.

Customs/International Trade.—We note that the budget submitted by President Reagan assumed the repeal of the Trade Adjustment Assistance program which was just extended and reformed by last year's trade bill. It is extremely unlikely that the Committee will recommend repeal, so the Committee on the Budget should not assume the enactment of repeal legislation. With respect to funding of the United States Trade Representative, the Committee is concerned that the President's budget submission does not fully take into account the increased program activities of the agency due to enactment of last year's trade bill, implementation of the U.S.-Canada Free Trade Agreement, and increased activity in the Uruguay Round of multilateral trade negotiations. We recommend that the budget resolution assume that the Committee may increase USTR's funding above the President's requested level in order to assure that the agency has adequate resources to perform its functions.

Other Finance Committee programs.—In general, the Committee recommends that the budget resolution be based on an assumption that the programs in its jurisdiction which are not specifically addressed above be continued without substantive change.

Public Debt Limit.—The debt limit under existing law is set at $2.8 trillion. It appears that this level will be exceeded by the end of fiscal year 1989. At that time, a debt subject to limit of approximately $2.85 trillion is now projected. By the end of fiscal year 1990, the debt limit will have to be increased to about $3.1 trillion. The budget resolution should reflect these projections.

Summary.—As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other committees of the Senate. We must emphasize, however, that the Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to any specific set of options.

APPENDIX B

Excerpt From the Congressional Budget and Impoundment Control Act of 1974, as Amended

DEFINITIONS

SEC. 3. IN GENERAL.—For purposes of this Act—

(1) The terms "budget outlays" and "outlays" mean, with respect to any fiscal year, expenditures and net lending of funds under budget authority during such year.

(2) The term "budget authority" means authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds or to collect offsetting receipts, except that such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(3) The term "tax expenditures" means those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability; and the term "tax expenditures budget" means an enumeration of such tax expenditures.

(4) The term "concurrent resolution on the budget" means—

(A) a concurrent resolution setting forth the congressional budget for the United States Government for a fiscal year as provided in section 301; and

(B) any other concurrent resolution revising the congressional budget for the United States Government for a fiscal year as described in section 304.

(5) The term "appropriation Act" means an Act referred to in section 105 of title 1, United States Code.

(6) The term "deficit" means, with respect to any fiscal year, the amount by which total budget outlays for such fiscal year exceed total revenues for such fiscal year. In calculating the deficit for purposes of comparison with the maximum deficit amount under the Balanced Budget and Emergency Deficit Control Act of 1985 and in calculating the excess deficit for purposes of sections 251 and 252 of such Act (notwithstanding section 710(a) of the Social Security Act), for any fiscal year, the receipts of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund for such fiscal year and the taxes payable under sections 1401(a), 3101(a), and 3111(a) of the Internal Revenue Code of 1954 during such fiscal year shall be included in total revenues for such fiscal year, and the disbursements of each such Trust Fund for such fiscal year shall be included in total budget outlays for such fiscal year. Notwithstanding any other provision of law except to the extent provided by section 710(a) of the Social Security Act, the receipts, revenues, disbursements,

budget authority, and outlays of each off-budget Federal entity for a fiscal year shall be included in total budget authority, total budget outlays, and total revenues and the amounts of budget authority and outlays set forth for each major functional category, for such fiscal year. Amounts paid by the Federal Financing Bank for the purchase of loans made or guaranteed by a department, agency or instrumentality of the Government of the United States shall be treated as outlays of such department, agency, or instrumentality.[1]

[Section 3(7) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(A) as amended by P.L. 100-119.]

(7) The term "maximum deficit amount" means—

(A) with respect to the fiscal year beginning October 1, 1985, $171,900,000,000;

(B) with respect to the fiscal year beginning October 1, 1986, $144,000,000,000;

(C) with respect to the fiscal year beginning October 1, 1987, $144,000,000,000;

(D) with respect to the fiscal year beginning October 1, 1988, $136,000,000,000;

(E) with respect to the fiscal year beginning October 1, 1989, $100,000,000,000;

(F) with respect to the fiscal year beginning October 1, 1990, $64,000,000,000;

(G) with respect to the fiscal year beginning October 1, 1991, $28,000,000,000; and

(H) with respect to the fiscal year beginning October 1, 1992, zero.

(8) The term "off-budget Federal entity" means any entity (other than a privately owned Government-sponsored entity)—

(A) which is established by Federal law, and

(B) the receipts and disbursements of which are required by law to be excluded from the totals of—

(i) the budget of the United States Government submitted by the President pursuant to section 1105 of title 31, United States Code, or

(ii) the budget adopted by the Congress pursuant to title III of this Act.

(9) The term "entitlement authority" means spending authority described by section 401(c)(2)(C).

(10) The term "credit authority" means authority to incur direct loan obligations or to incur primary loan guarantee commitments.

[Public Law 95-110, 91 Stat. 884, September 20, 1977, An Act to Abolish the Joint Committee on Atomic Energy, repealed section 3(b).]

TITLE III—CONGRESSIONAL BUDGET PROCESS

TIMETABLE

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

On or before:	Action to be completed:
First Monday after January 3	President submits his budget.
February 15	Congressional Budget Office submits report to Budget Committees.
February 25	Committees submit views and estimates to Budget Committees.
April 1	Senate Budget Committee reports concurrent resolution on the budget.
April 15	Congress completes action on concurrent resolution on the budget.
May 15	Annual appropriation bills may be considered in the House.
June 10	House Appropriations Committee reports last annual appropriation bill.
June 15	Congress completes action on reconciliation legislation.
June 30	House completes action on annual appropriation bills.
October 1	Fiscal year begins.

ANNUAL ADOPTION OF CONCURRENT RESOLUTION ON THE BUDGET

SEC. 301. (a) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—On or before April 15 of each year, the Congress shall complete action on a concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of such year, and planning levels for each of the two ensuing fiscal years, for the following—

(1) totals of new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments;

(2) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(3) the surplus or deficit in the budget;

(4) new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments for each major functional category, based on allocations of the total levels set forth pursuant to paragraph (1); and

(5) the public debt.[1]

---

[1] See Rule XLIX of the Rules of the House of Representatives as it pertains to the statutory limit on the public debt in the House of Representatives, p. 50.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The concurrent resolution on the budget may—

(1) set forth, if required by subsection (f), the calendar year in which, in the opinion of the Congress, the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 should be achieved;

(2) include reconciliation directives described in section 310;

(3) require a procedure under which all or certain bills or resolutions providing new budget authority or new entitlement authority for such fiscal year shall not be enrolled until the Congress has completed action on any reconciliation bill or reconciliation resolution or both required by such concurrent resolution to be reported in accordance with section 310(b); and

(4) set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes of this Act.

(c) CONSIDERATION OF PROCEDURES OR MATTERS WHICH HAVE THE EFFECT OF CHANGING ANY RULE OF THE HOUSE OF REPRESENTATIVES.—If the Committee on the Budget of the House of Representatives reports any concurrent resolution on the budget which includes any procedure or matter which has the effect of changing any rule of the House of Representatives, such concurrent resolution shall then be referred to the Committee on Rules with instructions to report it within five calendar days (not counting any day on which the House is not in session). The Committee on Rules shall have jurisdiction to report any concurrent resolution referred to it under this paragraph with an amendment or amendments changing or striking out any such procedure or matter.

(d) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before February 25 of each year, each committee of the House of Representatives having legislative jurisdiction shall submit to the Committee on the Budget of the House and each committee of the Senate having legislative jurisdiction shall submit to the Committee on the Budget of the Senate its views and estimates (as determined by the committee making such submission) with respect to all matters set forth in subsections (a) and (b) which relate to matters within the jurisdiction or functions of such committee. The Joint Economic Committee shall submit to the Committees on the Budget of both Houses its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House of Representatives or the Senate may submit to the Committee on the Budget of its House, and any joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsections (a) and (b) which relate to matters within its jurisdiction or functions.

(e) HEARINGS AND REPORT.—In developing the concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the Committee deems desirable. Each of the recommendations as to short-term and medium-term goals set forth in the report submitted by the members of the Joint Economic Committee under subsection (d) may be considered by the Committee on the Budget of each House as part of its consideration of such concurrent resolution, and its report may reflect its views thereon, including its views on how the estimates of revenues and levels of budget authority and outlays set forth in such concurrent resolution are designed to achieve any goals it is recommending. The report accompanying such concurrent resolution shall include, but not be limited to—

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, total direct loan obligations, total primary loan guarantee commitments, as set forth in such concurrent resolution, with those estimated or requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof) with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and with each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and any alternative economic assumptions and objectives which the committee considered;

(6) projections (not limited to the following), for the period of five fiscal years beginning with such fiscal year, of the estimated levels of total budget outlays and total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments;

(8) information, data, and comparisons indicating the manner in which and the basis on which, the committee determined each of the matters set forth in the concurrent resolution; and

(9) allocations described in section 302(a).

(f) ACHIEVEMENT OF GOALS FOR REDUCING UNEMPLOYMENT.—

(1) If, pursuant to section 4(c) of the Employment Act of 1946, the President recommends in the Economic Report that the goals for reducing unemployment set forth in section 4(b) of such Act be achieved in a year after the close of the five-year period prescribed by such subsection, the concurrent resolution on the budget for the fiscal year beginning after the

date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(2) After the Congress has expressed its opinion pursuant to paragraph (1) as to the year in which the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 can be achieved, if, pursuant to section 4(e) of such Act, the President recommends in the Economic Report that such goals be achieved in a year which is different from the year in which the Congress has expressed its opinion that such goals should be achieved, either in its action pursuant to paragraph (1) or in its most recent action pursuant to this paragraph, the concurrent resolution on the budget for the fiscal year beginning after the date on which such Economic Report is received by the Congress may set forth the year in which, in the opinion of the Congress, such goals can be achieved.

(3) It shall be in order to amend the provision of such resolution setting forth such year only if the amendment thereto also proposes to alter the estimates, amounts, and levels (as described in subsection (a)) set forth in such resolution in germane fashion in order to be consistent with the economic goals (as described in section 3(a)(2) and 4(b) of the Employment Act of 1946) which such amendment proposes can be achieved by the year specified in such amendment.

(g) ECONOMIC ASSUMPTIONS.—

(1) It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year, or any amendment thereto, or any conference report thereon, that sets forth amounts and levels that are determined on the basis of more than one set of economic and technical assumptions.

(2) The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall set forth the common economic assumptions upon which such joint statement and conference report are based, or upon which any amendment contained in the joint explanatory statement to be proposed by the conferees in the case of technical disagreement, is based.

(3) Subject to periodic reestimation based on changed economic conditions or technical estimates, determinations under titles III and IV of the Congressional Budget Act of 1974 shall be based upon such common economic and technical assumptions.

(h) BUDGET COMMITTEE CONSULTATION WITH COMMITTEES.—The Committee on the Budget of the House of Representatives shall consult with the committees of its House having legislative jurisdiction during the preparation, consideration, and enforcement of the concurrent resolution on the budget with respect to all matters which relate to the jurisdiction or functions of such committees.

[Section 301(i) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.]

(i) MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED.—

(1)(A) Except as provided in paragraph (2), it shall not be in order in either the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year under this section, or to consider any amendment to such a concurrent resolution, or to consider a conference report on such a concurrent resolution, if the level of total budget outlays for such fiscal year that is set forth in such concurrent resolution or conference report exceeds the recommended level of Federal revenues set forth for that year by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7), or if the adoption of such amendment would result in a level of total budget outlays for that fiscal year which exceeds the recommended level of Federal revenues for that fiscal year, by an amount that is greater than the maximum deficit amount for such fiscal year as determined under section 3(7).

(B) In the House of Representatives the point of order established under subparagraph (A) with respect to the consideration of a conference report or with respect to the consideration of a motion to concur, with or without an amendment or amendments, in a Senate amendment, the stage of disagreement having been reached, may be waived only by a vote of three-fifths of the Members present and voting, a quorum being present.

(2) (A) Paragraph (1) of this subsection shall not apply if a declaration of war by the Congress is in effect.

(B) Paragraph (1) shall not apply to the consideration of any concurrent resolution on the budget for fiscal year 1988 or fiscal year 1989, or amendment thereto or conference report thereon, if such concurrent resolution or conference report provides, or in the case of an amendment if the concurrent resolution as changed by the adoption of such amendment would provide for deficit reduction from a budget baseline estimate as specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year (based on laws in effect on January 1 of the calendar year during which the fiscal year begins) equal to or greater than the maximum amount of unachieved deficit reduction for such fiscal year as specified in section 251(a)(3)(A) of such Act.

(C) For purposes of the application of subparagraph (B), the amount of deficit reduction for a fiscal year provided for in a concurrent resolution, or amendment thereto or conference report thereon, shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

SEC. 302. (a) ALLOCATION OF TOTALS.—

(1) For the House of Representatives, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays, total new budget authority, total entitlement authority, and total credit authority among each committee of

the House of Representatives which has jurisdiction over laws, bills and resolutions providing such new budget authority, such entitlement authority, or such credit authority. The allocation shall, for each committee, divide new budget authority, entitlement authority, and credit authority between amounts provided or required by law on the date of such conference report (mandatory or uncontrollable amounts), and amounts not so provided or required (discretionary or controllable amounts), and shall make the same division for estimated outlays that result from such new budget authority.

(2) For the Senate, the joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays, total new budget authority and new credit authority among each committee of the House of Representatives and the Senate which has jurisdiciton over bills and resolutions providing such new budget authority.

(b) Reports by Committees.—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays, new budget authority, and new credit authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection.

(c) Point of Order.—It shall not be in order in the House of Representatives or the Senate to consider any bill or resolution, or amendment thereto, providing—

(1) new budget authority for a fiscal year;

(2) new spending authority as described in section 401(c)(2) for a fiscal year; or

(3) new credit authority for a fiscal year;

within the jurisdiction of any committee which has received an appropriate allocation of such authority pursuant to subsection (a) for such fiscal year, unless and until such committee makes the allocation or subdivision required by subsection (b), in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year.

(d) SUBSEQUENT CONCURRENT RESOLUTIONS.—In the case of a concurrent resolution on the budget referred to in section 304, the allocations under subsection (a) and the subdivision under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

(e) ALTERATION OF ALLOCATIONS.—At any time after a committee reports the allocations required to be made under subsection (b), such committee may report to its House an alteration of such allocations. Any alteration of such allocations must be consistent with any actions already taken by its House on legislation within the Committee's jurisdiction.

(f) LEGISLATION SUBJECT TO POINT OF ORDER.—

(1) IN THE HOUSE OF REPRESENTATIVES.—After the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in the House of Representatives to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, new entitlement authority effective during such fiscal year, or new credit authority for such fiscal year, or any conference report on any such bill or resolution, if—

(A) the enactment of such bill or resolution as reported;

(B) the adoption and enactment of such amendment; or

(C) the enactment of such bill or resolution in the form recommended in such conference report,

would cause the appropriate allocation made pursuant to subsection (b) for such fiscal year of new discretionary budget authority, new entitlement authority, or new credit authority to be exceeded.

(2) IN THE SENATE.—At any time after the Congress has completed action on the concurrent resolution on the budget required to be reported under section 301(a) for a fiscal year, it shall not be in order in the Senate to consider any bill or resolution (including a conference report thereon), or any amendment to a bill or resolution, that provides for budget outlays or new budget authority in excess of the appropriate allocation of such outlays or authority reported under subsection (b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year.

(g) DETERMINATIONS BY BUDGET COMMITTEES.—For purposes of this section, the levels of new budget authority, spending authority as described in section 401(c)(2), outlays and new credit authority for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of House of Representatives or the Senate, as the case may be.

CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, NEW CREDIT AUTHORITY, OR CHANGES IN REVENUES OR THE PUBLIC DEBT LIMIT IS CONSIDERED

SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution (or amendment thereto) as reported to the House or Senate which provides—

(1) new budget authority for a fiscal year;

(2) an increase or decrease in revenues to become effective during a fiscal year;

(3) an increase or decrease in the public debt limit to become effective during a fiscal year;

(4) new entitlement authority to become effective during a fiscal year; or

(5) new credit authority for fiscal year,

until the concurrent resolution on the budget for such fiscal year has been agreed to pursuant to section 301.

(b) EXCEPTIONS.—Subsection (a) does not apply to any bill or resolution—

(1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(2) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

After May 15 of any calendar year, subsection (a) does not apply in the House of Representatives to any general appropriation bill, or amendment thereto, which provides new budget authority for the fiscal year beginning in such calendar year.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution (or amendment thereto) to which subsection (a) applies may at or after the time it reports such bill or resolution (or amendment), report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution (or amendment), and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That Committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that Committee's recommendations and reasons for such recommendations with respect to the resolution. If the Committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal

shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) shall not apply with respect to the bill or resolution (or amendment thereto) to which the resolution so agreed to applies.

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS ON THE BUDGET

Sec. 304. (a) In General.—At any time the concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises or reaffirms the concurrent resolution on the budget for such fiscal year most recently agreed to.

[Section 304(b) expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.]

(b) Maximum Deficit Amount May Not Be Exceeded.—The provisions of section 301(i) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under section 301(i) (and amendments thereto and conference reports thereon).

(c) Economic Assumptions.—The provisions of section 301(g) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under such section 301(g) (and amendments thereto and conference reports thereon).

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

Sec. 305. (a) Procedure in House of Representatives After Report of Committee; Debate.—

(1) When the Committee on the Budget of the House of Representatives has reported any concurrent resolution on the budget, it is in order at any time after the fifth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution by the Committee on the Budget has been available to Members of the House and, if applicable, after the first day (excluding Saturdays, Sundays, and legal holidays) following the day on which a report upon such resolution by the Committee on Rules pursuant to section 301(c) has been available to Members of the House (even though a previous motion to the same effect has been dis-

agreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between majority and minority parties, plus such additional hours of debate as are consumed pursuant to paragraph (3). A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the House, there shall be a period of up to four hours for debate on economic goals and policies.

(4) Only if a concurrent resolution on the budget reported by the Committee on the Budget of the House sets forth the economic goals (as described in sections 3(a)(2) and 4(b) of the Full Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

(5) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be considered for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

(6) Debate in the House of Representatives on the conference report on any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to.

(7) Appeals from decisions of the Chair relating to the application of the Rules of the House of Representatives to the pro-

cedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that with respect to any concurrent resolution referred to in section 304(a) all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) Following the presentation of opening statements on the concurrent resolution on the budget for a fiscal year by the chairman and ranking minority member of the Committee on the Budget of the Senate, there shall be a period of up to four hours for debate on economic goals and policies.

(4) Subject to the other limitations of this Act, only if a concurrent resolution on the budget reported by the Committee on the Budget of the Senate sets forth the economic goals (as described in sections 3(a)(2) and 4(b) of the Employment Act of 1946) which the estimates, amounts, and levels (as described in section 301(a)) set forth in such resolution are designed to achieve, shall it be in order to offer to such resolution an amendment relating to such goals, and such amendment shall be in order only if it also proposes to alter such estimates, amounts, and levels in germane fashion in order to be consistent with the goals proposed in such amendment.

(5) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(6) Notwithstanding any other rule, an amendment or series of amendments to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

(c) Action on Conference Reports in the Senate.—

(1) The conference report on any concurrent resolution on the budget shall be in order in the Senate at any time after the third day (excluding Saturday, Sundays, and legal holidays) following the day on which such conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

(2) During the consideration in the Senate of the conference report on any concurrent resolution on the budget, and all amendments in disagreement, and all amendments thereto, and debatable motions and appeals in connection therewith, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

(d) Required Action by Conference Committee.—If at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

(1) a conference report recommending those matters on which they have agreed and reporting in disagreement those matters on which they have not agreed; or

(2) a conference report in disagreement, if the matter in disagreement is an amendment which strikes out the entire text of the concurrent resolution and inserts a substitute text.

(e) CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.—It shall not be in order in the Senate to vote on the question of agreeing to—

(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution.

HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED BY JUNE 10

SEC. 307. On or before June 10 of each year, the Committee on Appropriations of the House of Representatives shall report annual appropriation bills providing new budget authority under the jurisdiction of all of its subcommittees for the fiscal year which begins on October 1 of that year.

REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR NEW CREDIT AUTHORITY, OR PROVIDING AN INCREASE OR DECREASE IN REVENUES OR TAX EXPENDITURES.—

(1) Whenever a committee of either House reports to its House a bill or resolution, or committee amendment thereto, providing new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, or the committee shall make available such a state-

ment in the case of an approved committee amendment which is not reported to its House, prepared after consultation with the Director of the Congressional Budget Office—

(A) comparing the levels in such measure to the appropriate allocations in the reports submitted under section 302(b) for the most recently agreed to concurrent resolution on the budget for such fiscal year;

(B) including an identification of any new spending authority described in section 401(c)(2) which is contained in such measure and a justification for the use of such financing method instead of annual appropriations;

(C) containing a projection by the Congressional Budget Office of how such measure will affect the levels of such budget authority, budget outlays, spending authority, revenues, tax expenditures, direct loan obligations, or primary loan guarantee commitments under existing law for such fiscal year and each of the four ensuing fiscal years, if timely submitted before such report is filed; and

(D) containing an estimate by the Congressional Budget Office of the level of new budget authority for assistance to State and local governments provided by such measure, if timely submitted before such report is filed.

(2) Whenever a conference report is filed in either House and such conference report or any amendment reported in disagreement or any amendment contained in the joint statement of managers to be proposed by the conferees in the case of technical disagreement on such bill or resolution provides new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or provides an increase or decrease in revenues for a fiscal year, the statement of managers accompanying such conference report shall contain the information described in paragraph (1), if available on a timely basis. If such information is not available when the conference report is filed, the committee shall make such information available to Members as soon as practicable prior to the consideration of such conference report.

(b) UP-TO-DATE TABULATIONS OF CONGRESSIONAL BUDGET ACTION.—

(1) The Director of the Congressional Budget Office shall issue to the committees of the House of Representatives and the Senate reports on at least a monthly basis detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority, new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year. Such reports shall include but are not limited to an up-to-date tabulation comparing the appropriate aggregate and functional levels (including outlays) included in the most recently adopted concurrent resolution on the budget with the levels provided in bills and resolutions reported by committees or adopted by either House or by the Congress, and

with the levels provided by law for the fiscal year preceding such fiscal year.

(2) The Committee on the Budget of each House shall make available to Members of its House summary budget scorekeeping reports. Such reports—

(A) shall be made available on at least a monthly basis, but in any case frequently enough to provide Members of each House an accurate representation of the current status of congressional consideration of the budget;

(B) shall include, but are not limited to, summaries of tabulations provided under subsection (b)(1); and

(C) shall be based on information provided under subsection (b)(1) without substantive revision.

e chairman of the Committee on the Budget of the House of presentatives shall submit such reports to the Speaker.

c) FIVE-YEAR PROJECTION OF CONGRESSIONAL BUDGET ACTION.—As soon as practicable after the beginning of each fiscal year, the rector of the Congressional Budget Office shall issue a report ojecting for the period of 5 fiscal years beginning with such fiscal ar—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period;

(3) tax expenditures for each fiscal year in such period;

(4) entitlement authority for each fiscal year in such period; and

(5) credit authority for each fiscal year in such period.

HOUSE APPROVAL OF REGULAR APPROPRIATION BILLS

SEC. 309. It shall not be in order in the House of Representatives consider any resolution providing for an adjournment period of re than three calendar days during the month of July until the use of Representatives has approved annual appropriation bills oviding new budget authority under the jurisdiction of all the bcommittees of the Committee on Appropriations for the fiscal ar beginning on October 1 of such year. For purposes of this secn, the chairman of the Committee on Appropriations of the use of Representatives shall periodically advise the Speaker as changes in jurisdiction among its various subcommittees.

RECONCILIATION

SEC. 310. (a) INCLUSION OF RECONCILIATION DIRECTIVES IN CON- RRENT RESOLUTIONS ON THE BUDGET.—A concurrent resolution on e budget for any fiscal year to the extent necessary to effectuate e provisions and requirements of such resolution, shall—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years;

(C) new entitlement authority which is to become effective during such fiscal year; and

(D) credit authority for such fiscal year, contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amounts by which the statutory limit on the public debt is to be changed and direct the committee having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

(b) LEGISLATIVE PROCEDURE.—If a concurrent resolution containing directives to one or more committees to determine and recommend changes in laws, bills, or resolutions is agreed to in accordance with subsection (a), and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House reconciliation legislation containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations and submit such recommendations to the Committee on the Budget of its House, which, upon receiving all such recommendations, shall report to its House reconciliation legislation carrying out all such recommendations without any substantive revision.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(c) COMPLIANCE WITH RECONCILIATION DIRECTIONS.—Any committee of the House of Representatives or the Senate that is directed, pursuant to a concurrent resolution on the budget, to determine and recommend changes of the type described in paragraphs (1) and (2) of subsection (a) with respect to laws within its jurisdiction, shall be deemed to have complied with such directions—

(1) if—

(A) the amount of the changes of the type described in paragraph (1) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under such paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection, and

(B) the amount of the changes of the type described in paragraph (2) of such subsection recommended by such committee do not exceed or fall below the amount of the changes such committee was directed by such concurrent resolution to recommend under that paragraph by more than 20 percent of the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection; and

(2) if the total amount of the changes recommended by such committee is not less than the total of the amounts of the changes such committee was directed to make under paragraphs (1) and (2) of such subsection.

(d) LIMITATION OF AMENDMENTS TO RECONCILIATION BILLS AND RESOLUTIONS.—

(1) It shall not be in order in the House of Representatives to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of increasing any specific budget outlays above the level of such outlays provided in the bill or resolution (for the fiscal years covered by the reconciliation instructions set forth in the most recently agreed to concurrent resolution on the budget), or would have the effect of reducing any specific Federal revenues below the level of such revenues provided in the bill or resolution (for such fiscal years), unless such amendment makes at least an equivalent reduction in other specific budget outlays, an equivalent increase in other specific Federal revenues, or an equivalent combination thereof (for such fiscal years), except that a motion to strike a provision providing new budget authority or new entitlement authority may be in order.

(2) It shall not be in order in the Senate to consider any amendment to a reconciliation bill or reconciliation resolution if such amendment would have the effect of decreasing any specific budget outlay reductions below the level of such outlay reductions provided (for the fiscal years covered) in the reconciliation instructions which relate to such bill or resolution set forth in a resolution providing for reconciliation, or would have the effect of reducing Federal revenue increases below the level of such revenue increases provided (for such fiscal years) in such instructions relating to such bill or resolution, unless such amendment makes a reduction in other specific budget outlays, an increase in other specific Federal revenues, or a combination thereof (for such fiscal years) at least equivalent to any increase in outlays or decrease to revenues provided by such amendment, except that a motion to strike a provision shall always be in order.

(3) Paragraphs (1) and (2) shall not apply if a declaration of war by the Congress is in effect.

(4) For purposes of this section, the levels of budget outlays and Federal revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

(5) The Committee on Rules of the House of Representatives may make in order amendments to achieve changes specified by reconciliation directives contained in a concurrent resolution on the budget if a committee or committees of the House fail to submit recommended changes to its Committee on the Budget pursuant to its instruction.

(e) PROCEDURE IN THE SENATE.—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills reported under subsection (b) and conference reports thereon.

(2) Debate in the Senate on any reconciliation bill reported under subsection (b), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) COMPLETION OF RECONCILIATION PROCESS.—

(1) IN GENERAL.—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (b) not later than June 15 of each year.

(2) POINT OF ORDER IN THE HOUSE OF REPRESENTATIVES.—It shall not be in order in the House of Representatives to consider any resolution providing for an adjournment period of more than three calendar days during the month of July until the House of Representatives has completed action on the reconciliation legislation for the fiscal year beginning on October 1 of the calendar year to which the adjournment resolution pertains, if reconciliation legislation is required to be reported by the concurrent resolution on the budget for such fiscal year.

(g) LIMITATION ON CHANGES TO THE SOCIAL SECURITY ACT.—Notwithstanding any other provisions of law, it shall not be in order in the Senate or the House of Representatives to consider any reconciliation bill or reconciliation resolution reported pursuant to a concurrent resolution on the budget agreed to under section 301 or 304, or a resolution pursuant to section 254(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, or any amendment thereto or conference report thereon, that contains recommendations with respect to the old-age survivors, and disability insurance program established under title II of the Social Security Act.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

SEC. 311. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—Except as provided by subsection (b), after the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, providing new entitlement authority effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report,

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution or, in the Senate, would otherwise result in a deficit for such fiscal year that—

(A) for fiscal year 1989 or any subsequent fiscal year, exceeds the maximum deficit amount specified for such fiscal year in section 3(7); and

(B) for fiscal year 1988 or 1989, exceeds the amount of the estimated deficit for such fiscal year based on laws and regulations in effect on January 1 of the calendar year in which such fiscal year begins as measured using the budget baseline specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 minus $23,000,000,000 for fiscal year 1988 or $36,000,000,000 for fiscal year 1989;

except to the extent that paragraph (1) of section 301(i) or section 304(b), as the case may be, does not apply by reason of paragraph (2) of such subsection.[1]

(b) Exception in the House of Representatives.—Subsection (a) shall not apply in the House of Representatives to any bill, resolution, or amendment which provides new budget authority or new entitlement authority effective during such fiscal year, or to any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report,

would not cause the appropriate allocation of new discretionary budget authority or new entitlement authority made pursuant to section 302(a) for such fiscal year, for the committee within whose jurisdiction such bill, resolution, or amendment falls, to be exceeded.

(c) Determination of Budget Levels.—For purposes of this section, the levels of new budget authority, budget outlays, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.

---

[1] The portion of section 311(a) that begins with "or, in the Senate" and ends with "paragraph (2) of such subsection)" expires on September 30, 1993; P.L. 99-177, section 275(b)(2)(B) as amended by P.L. 100-119.

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401. (a) CONTROLS ON LEGISLATION PROVIDING SPENDING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2) (A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, conference report, or amendment also provides that such new spending authority as described in subsection (c)(2) (A) or (B) is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day in which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this Act, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under chapter 31 of title 31 of the United States Code) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts;

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law;

(D) to forgo the collection by the United States of proprietary offsetting receipts, the budget authority for which is not provided in advance by appropriation Acts to offset such forgone receipts; and

(E) to make payments by the United States (including loans, grants, and payments from revolving funds) other than those covered by subparagraph (A), (B), (C), or (D), the budget authority for which is not provided in advance by appropriation Acts.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act, as of the date of enactment of the Balanced Budget and Emergency Deficit Control Act of 1985; or

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

LEGISLATION PROVIDING NEW CREDIT AUTHORITY

SEC. 402. (a) CONTROLS ON LEGISLATION PROVIDING NEW CREDIT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report, as reported to its House, or any amendment which provides new credit authority described in subsection (b)(1), unless that bill, resolution, conference report, or amendment also provides that such new credit authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

(b) DEFINITION.—For purposes of this Act, the term "new credit authority" means credit authority (as defined in section 3(10) of this Act) not provided by law on the effective date of this section, including any increase in or addition to credit authority provided by law on such date.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

SEC. 403. (a) The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate;

(2) an estimate of the cost which would be incurred by State and local governments in carrying out or complying with any significant bill or resolution in the fiscal year in which it is to become effective and in each of the four fiscal years following such fiscal year, together with the basis for each such estimate;

(3) a comparison of the estimates of costs described in paragraphs (1) and (2), with any available estimates of costs made by such committee or by any Federal agency; and

(4) a description of each method for establishing a Federal financial commitment contained in such bill or resolution.

The estimates, comparison, and description so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

(b) For purposes of subsection (a)(2), the term "local government" has the same meaning as in section 103 of the Intergovernmental Cooperation Act of 1968.

(c) For purposes of subsection (a)(2), the term "significant bill or resolution" is defined as any bill or resolution which in the judgment of the Director of the Congressional Budget Office is likely to result in an annual cost to State and local governments of $200,000,000 or more, or is likely to have exceptional fiscal consequences for a geographic region or a particular level of government.

JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (e) and by inserting after paragraph (a) the following new paragraphs:

"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of the Act (but subject to the provisions of section 401(b)(3) of that Act)."

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

"(c) Committee on Appropriations, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

"4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

STUDY BY THE GENERAL ACCOUNTING OFFICE OF FORMS OF FEDERAL FINANCIAL COMMITMENT THAT ARE NOT REVIEWED ANNUALLY BY CONGRESS

SEC. 405. The General Accounting Office shall study those provisions of law which provide spending authority as described by section 401(c)(2) and which provide permanent appropriations, and report to the Congress its recommendations for the appropriate

(b) For purposes of subsection (a)(2), the term "local government" has the same meaning as in section 103 of the Intergovernmental Cooperation Act of 1968.

(c) For purposes of subsection (a)(2), the term "significant bill or resolution" is defined as any bill or resolution which in the judgment of the Director of the Congressional Budget Office is likely to result in an annual cost to State and local governments of $200,000,000 or more, or is likely to have exceptional fiscal consequences for a geographic region or a particular level of government.

JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (e) and by inserting after paragraph (a) the following new paragraphs:

"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of the Act (but subject to the provisions of section 401(b)(3) of that Act)."

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

"(c) Committee on Appropriations, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

"4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the Committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

STUDY BY THE GENERAL ACCOUNTING OFFICE OF FORMS OF FEDERAL FINANCIAL COMMITMENT THAT ARE NOT REVIEWED ANNUALLY BY CONGRESS

SEC. 405. The General Accounting Office shall study those provisions of law which provide spending authority as described by section 401(c)(2) and which provide permanent appropriations, and report to the Congress its recommendations for the appropriate

APPENDIX C

Budget Act Points of Order in the Senate

BUDGET ACT POINTS OF ORDER IN THE SENATE

Section	Description	Waiver requirement	Application
301(i)	Prohibits consideration of budget resolution, amendments thereto, or conference report thereon, that contains deficit in excess of maximum deficit amount. (also applies to revised budget resolution via sec. 304(b)).	Three-fifths	Budget resolution. Amendments. Conference report.
302(c)	Prohibits consideration of a committee's legislation until that committee has filed its sec. 302(b) report.	Three-fifths	Bill. Resolution. Amendments.
302(f)(2)	Prohibits consideration of legislation providing budget authority or outlays in excess of committee's sec. 302(b) report.	Three-fifths	Bill. Resolution. Amendments. Conference report.
303(a)	Prohibits legislation providing new budget authority, change in revenues, change in public debt, new entitlement authority, or new credit authority for a fiscal year until the budget resolution for that year has been agreed to.	Majority	Bill. Resolution. Amendments. Conference report (by precedent of Apr. 10, 1978).
304(b)	See section 301(i)	Three-fifths	Revised Budget Resolution. Amendments. Conference report.
305(b)(2)	Prohibits nongermane amendments to budget resolution (also applies to reconciliation bills via sec. 310(e)(1)).	Three-fifths	Amendments.
305(e)	Prohibits consideration of budget resolution, or conference report thereon, that is not mathematically consistent.	Majority	Budget resolution. Conference report.
306	Prohibits consideration of legislation within Budget Committee's jurisdiction, unless the Budget Committee reported it.	Three-fifths	Bill. Resolution. Amendments.
310(d)(2)	Prohibits amendments to reconciliation bills that are not deficit neutral.	Three-fifths	Amendments.
310(e)(1)	See section 305(b)(2)	Three-fifths	Amendments.
310(g)	Prohibits consideration of reconciliation legislation that recommends changes in social security.	Three-fifths	Bill. Resolution. Amendments. Conference report.
311(a)	Prohibits consideration of legislation that would exceed outlay ceiling or revenue floor, or would cause deficit to exceed maximum deficit amount.	Three-fifths	Bill. Resolution. Amendments. Conference report.

Section	Description	Waiver requirement	Application
401(a)	Prohibits consideration of legislation providing new contract authority or new borrowing authority that is not limited to appropriations.	Majority	Bill. Resolution. Amendments. Conference report.
401(b)(1)	Prohibits consideration of legislation providing new entitlement authority that becomes effective during the fiscal year that ends in the calendar year in which the bill is reported.	Majority	Bill. Resolution. Amendments.
402	Prohibits consideration of legislation providing new credit authority that is not limited to appropriations.	Majority	Bill. Resolution. Amendments. Conference report.

APPENDIX D

The Byrd Rule on Extraneous Matter in Reconciliation Legislation

THE BYRD RULE ON EXTRANEOUS MATTER IN RECONCILIATION LEGISLATION

[Section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 7006 of the Omnibus Budget Reconciliation Act of 1986 and section 205 of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987]

Sec. 20001. Miscellaneous Provisions

(a) When the Senate is considering a reconciliation bill or a reconciliation resolution pursuant to section 310 of the Congressional Budget Act of 1974, upon a point of order being made by any Senator against material extraneous to the instructions to a committee which is contained in any title or provision of the bill or resolution or offered as an amendment to the bill or resolution, and the point of order is sustained by the Chair, any part of said title or provision that contains material extraneous to the instructions to said Committee as defined in subsection (d) shall be deemed stricken from the bill and may not be offered as an amendment from the floor. An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required to sustain an appeal of the ruling of the Chair on a point of order raised under this section, as well as to waive or suspend the provisions of this subsection.

(b) No motion to waive or suspend the requirement of section 305(b)(2) of the Congressional Budget Act of 1974, as it relates to germaneness with respect to a reconciliation bill or resolution, shall be agreed to unless supported by an affirmative vote of three-fifths of the Members, duly chosen and sworn, which super-majority shall be required to successfully appeal the ruling of the Chair on a point of order raised under that section, as well as to waive or suspend the provisions of this subsection.

(c) This section shall become effective on the date of enactment of this title and shall remain in effect until September 30, 1992.

(d)(1)—

(A) Except as provided in paragraph (2), a provision of a reconciliation bill or reconciliation resolution considered pursuant to section 310 of the Congressional Budget Act of 1974 shall be considered extraneous if such provision does not produce a change in outlays or revenues, including changes in cutlays and revenues brought about by changes in the terms and conditions under which outlays are made or revenues are required to be collected;

(B) any provision producing an increase in outlays or decrease in revenues shall be considered extraneous if the net effect of provisions reported by the Committee reporting the title containing the provision is that the Committee fails to achieve its reconciliation instructions;

(C) a provision that is not in the jurisdiction of the Committee with jurisdiction over said title or provision shall be considered extraneous;

(D) a provision shall be considered extraneous if it produces changes in outlays or revenues which are merely incidental to the non-budgetary components of the provision; and

(E) a provision shall be considered to be extraneous if it increases, or would increase, net outlays, or if it decreases, or would decrease, revenues during a fiscal year after the fiscal years covered by such reconciliation bill or reconciliation resolution, and such increases or decreases are greater than outlay reductions or revenue increases resulting from other provisions in such title in such year.

(2) A provision shall not be considered extraneous under paragraph (1)(A) if the Chairman and Ranking Minority Member of the Committee on the Budget and the Chairman and Ranking Minority Member of the Committee which reported the provision certify that—

(A) the provision mitigates direct effects clearly attributable to a provision changing outlays or revenues and both provisions together produce a net reduction in the deficit;

(B) the provision will result in a substantial reduction in outlays or a substantial increase in revenues during fiscal years after the fiscal years covered by the reconciliation bill or reconciliation resolution;

(C) a reduction of outlays or an increase in revenues is likely to occur as a result of the provision, in the event of new regulations authorized by the provision or likely to be proposed, court rulings on pending litigation, or relationships between economic indices and stipulated statutory triggers pertaining to the provision, other than the regulations, court rulings or relationships currently projected by the Congressional Budget Office for scorekeeping purposes; and

(D) such provision will be likely to produce a significant reduction in outlays or increase in revenues but, due to insufficient data, such reduction or increase cannot be reliably estimated.

(3) A provision reported by a committee shall not be considered extraneous under paragraph (1)(C) if—

(A) the provision is an integral part of a provision or title, which if introduced as a bill or resolution would be referred to such committee, and the provision sets forth the procedure to carry out or implement the substantive provisions that were reported and which fall within the jurisdiction of such committee; or

(B) the provision states an exception to, or a special application of, the general provision or title of which it is a part and such general provision or title if introduced as a bill or resolution would be referred to such committee.

Application of the Byrd Rule to Conference Reports

[S. Res. 286 (99th Congress, 1st Session), as amended by S. Res. 509 (99th Congress, 2d Session), which appears at 132 Cong. Rec. S 16416 (Oct. 16, 1986)]

The resolution (S. Res. 509) was agreed to, as follows:

S. RES. 509

That Senate Resolution 286 (99th Congress, 2d Session), adopted December 19, 1985, is amended by striking out all after the resolving clause and inserting in lieu thereof the following:

"That (a) when the Senate is considering a conference report on, or an amendment between the Houses in relation to, a reconciliation bill or reconciliation resolution pursuant to section 310 of the Congressional Budget Act of 1974, upon—

"(1) a point of order being made by any Senator against extraneous material meeting the definition of subsections (d)(1)(A) or (d)(1)(D) of section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985, and

"(2) such point of order being sustained, such material contained in such conference report or amendment shall be deemed stricken, and the Senate shall proceed, without intervening action or motion, to consider the question of whether the Senate shall recede from its amendment and concur with a further amendment, or concur in the House amendment with a further amendment, as the case may be, which further amendment shall consist of only that portion of the conference report or House amendment, as the case may be, not so stricken. Any such motion in the Senate shall be debatable for 2 hours. In any case in which such point of order is sustained against a conference report (or Senate amendment derived from such conference report by operation of this resolution), no further amendment shall be in order.

"(b) An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required to sustain an appeal of the ruling of the Chair on a point of order raised under this resolution, as well as to waive or suspend the provisions of this resolution.

"(c) The provisions of this resolution shall remain in effect until the date of termination of section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985".

APPENDIX E

Tax Expenditures by Function (Excerpt From the Budget of the United States Government for Fiscal Year 1991)

Table C-1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(Fiscal years; in millions of dollars)

Description	Outlay Equivalents			Revenue Loss					
				Corporations			Individuals		
	1989	1990	1991	1989	1990	1991	1989	1990	1991
National defense:									
Exclusion of benefits and allowances to armed forces personnel	2,215	2,295	2,380				1,900	1,965	2,040
International affairs:									
Exclusion of income earned abroad by United States citizens	1,580	1,645	1,710				1,155	1,205	1,255
Exclusion of income of foreign sales corporations (FSC)	795	880	965	525	580	635			
Inventory property sales source rules exception	3,000	3,300	3,630	2,000	2,200	2,420			
Certain nonfinancial institutions operations interest allocation rules exception	100	130	135	65	85	90			
Deferral of income from controlled foreign corporations:									
Pre-1983 budget method	750	800	850	750	800	850			
Post-1982 budget method									
Total (after interactions)	6,225	6,755	7,290						
General science, space, and technology:									
Expensing of research and development expenditures:									
Pre-1983 budget method	1,750	1,750	1,800	1,720	1,720	1,770	30	30	30
Post-1982 budget method									
Credit for increasing research activities	1,590	1,410	960	1,120	970	660	25	20	15
Suspension of the allocation of research and experimentation expenditures	*								
Total (after interactions)	3,675	3,425	2,860						
Energy:									
Expensing of exploration and development costs:									
Oil and gas	−65	110	365	−625	−490	−280	560	600	645
Other fuels	35	35	35	35	35	35			
Excess of percentage over cost depletion:									
Oil and gas	530	560	565	80	80	80	310	325	330
Other fuels	210	220	230	125	135	140	10	10	10
Exclusion of interest on State and local industrial development bonds for certain energy facilities	380	405	440	315	340	360			
Alternative, conservation and new technology credits:									
Supply incentives	110	110	35	80	75	25			
Conservation incentives	−*	*	*	−*	*	*			
Alternative fuel production credit	15	15	15	10	10	10			
Alcohol fuel credit [1]	*	45	155	*	35	110			
Energy credit for intercity buses	−*	−*	−*	−*	*	*			
Special rules for mining reclamation reserves	50	50	50	45	45	45	5	5	5
Exception from passive loss limitation for working interests in oil and gas properties	135	175	200				135	175	200
Total (after interactions)	995	1,225	1,480						
Natural resources and environment:									
Expensing of exploration and development costs, nonfuel minerals	40	40	40	35	35	35	5	5	5
Excess of percentage over cost depletion, nonfuel minerals	315	330	350	225	235	245	15	15	15
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	1,905	1,830	1,760	1,575	1,515	1,455			
Tax incentives for preservation of historic structures	140	140	130	45	45	40	95	95	90
Expensing of multiperiod timber growing costs	310	360	400	180	205	225	130	155	175
Investment credit and seven-year amortization for reforestation expenditures	210	215	220	40	40	40	160	170	175
Total (after interactions)	2,860	2,855	2,840						
Agriculture:									
Expensing of certain capital outlays	505	495	450	60	60	50	445	435	400
Expensing of certain multiperiod production costs	85	180	160	35	60	55	50	120	105
Treatment of loans forgiven solvent farmers as if insolvent	10	10	10				10	10	10
Deferral of drought-related payments	190	−125	−85	25	−15	−10	165	−110	−75
Total (after interactions)	745	530	505						
Commerce and housing credit:									
Exemption of credit union income	645	740	850	445	510	590			
Excess bad debt reserves of financial institutions	45	25	20	45	25	20			
Special merger rules for financial institutions	5,625	5,720	4,795	3,885	3,945	3,310			
Exclusion of interest on life insurance savings	8,115	9,025	10,040	145	240	350	6,085	6,680	7,335
Special alternative tax on small property and casualty insurance companies	45	35	35	35	25	25			
Tax exemption of certain insurance companies	30	35	40	25	25	30			
Small life insurance company deduction	105	105	110	75	80	80			
Exemption of RIC expenses from miscellaneous deduction floor	385	475	600				300	325	470
Deductibility of interest on consumer credit	3,945	2,080	770				3,945	2,080	770
Exclusion of interest on small issue industrial development bonds	3,025	2,840	2,650	2,600	2,445	2,280			
Exclusion of interest on State and local mortgage bonds for owner-occupied housing	2,195	2,045	1,875				1,895	1,775	1,625
Exclusion of interest on State and local debt for rental housing	1,510	1,420	1,340	1,270	1,150	1,080			
Deductibility of mortgage interest on owner-occupied homes	34,190	39,785	46,595				34,190	39,785	46,595
Deductibility of property tax on owner-occupied homes	10,065	11,240	12,430				10,065	11,240	12,430
Deferral of income from post 1987 installment sales	675	735	790	170	185	195	500	550	595
Ordinary income treatment of loss from small business corp. stock sale	30	20	20				30	20	20
Deferral of capital gains on home sales	12,035	12,625	13,265				12,035	12,635	13,265
Exclusion of capital gains on home sales for persons age 55 and over	4,195	4,250	4,280				3,190	3,230	3,250

Table C-1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—*Continued*

(Fiscal years; in millions of dollars)

Description	Outlay Equivalents			Revenue Loss					
				Corporations			Individuals		
	1989	1990	1991	1989	1990	1991	1989	1990	1991
Step-up basis of capital gains at death	16,635	18,075	19,640				12,310	13,375	14,535
Carryover basis of capital gains on gifts	75	85					75	85	90
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	8,560	5,545	3,715	5,860	4,030	2,655	795	490	295
Accelerated depreciation on rental housing									
Pre-1983 budget method	2,410	2,230	2,065	1,135	1,055	975	605	555	520
Post-1982 budget method									
Accelerated depreciation of buildings other than rental housing									
Pre-1983 budget method	9,875	9,475	9,230	4,995	4,795	4,665	1,990	1,910	1,865
Post-1982 budget method									
Accelerated depreciation of machinery and equipment									
Pre-1983 budget method	41,590	33,985	28,065	23,145	19,155	16,055	5,660	4,310	3,365
Post-1982 budget method									
Safe harbor leasing rules	−710	−710	−715	−710	−710	−715			
Amortization of start-up costs	230	245	265	30	35	35	130	135	145
Reduced rates on the first $100,000 of corporate income									
Pre-1983 budget method	4,435	4,980	5,760	2,875	3,235	3,715			
Post-1982 budget method									
Exception from the passive loss rules for $25,000 of rental losses	4,210	5,475	6,435				4,210	5,475	6,435
Treatment of Alaska Native Corporations	660	235	170	660	235	170			
Permanent exceptions from imputed interest rules	140	160	170	*	*	*	110	125	135
Total (after interactions)	153,085	151,590	154,685						
Transportation:									
Deferral of tax on shipping companies	115	125	135	115	125	135			
Exclusion of interest on State and local government bonds for mass commuting vehicles	45	40	30	20	20	20			
Total (after interactions)	160	165	165						
Community and regional development:									
Five-year amortization for housing rehabilitation	15	10	5	10	5	−5	5	5	*
Credit for low-income housing investments	400	700	850	60	100	120	225	400	485
Investment credit for rehabilitation of structures (other than historic)	130	115	100	70	65	55	60	50	45
Exclusion of interest on IDBs for airports, docks and sports and convention facilities	875	860	840	715	700	685			
Exemption of certain mutuals' and cooperatives' income	1,015	1,065	1,120	725	760	800			
Total (after interactions)	2,425	2,730	2,895						
Education, training, employment, and social services:									
Exclusion of scholarship and fellowship income									
Pre-1983 budget method	700	730	770				640	665	700
Post-1982 budget method									
Exclusion of interest on State and local student loan bonds	305	275	260				290	265	240
Exclusion of interest on State and local debt for private nonprofit educational facilities	315	305	300				270	265	255
Exclusion of interest on savings bonds transferred to educational institutions	*	20	75				*	15	60
Parental personal exemption for students age 19 or over	435	450	465				395	405	470
Deductibility of charitable contributions (education)	1,735	1,890	2,030	470	500	575	1,100	1,270	1,320
Exclusion of employer provided educational assistance	235	275	95				190	225	80
Total education (after interactions)	3,765	3,990	4,040						
Exclusion of employer provided child care	260	320	380				200	240	290
Exclusion of employee meals and lodging (other than military)	790	830	865				715	750	780
Exclusion of contributions to prepaid legal services plans	85	85	30				65	70	20
Investment credit for ESOPs	195	115	65	145	85	50			
Credit for child and dependent care expenses	4,875	5,210	5,505				3,710	3,895	4,165
Targeted jobs credit	340	335	275	300	300	245	40	35	30
Total training and employment (after interactions)	6,635	6,990	7,220						
Expensing of costs of removing certain architectural barriers to the handicapped	20	20	25	15	15	20	5	5	5
Deductibility of charitable contributions, other than education and health	10,795	11,945	12,885	585	620	655	10,005	11,110	12,000
Exclusion of certain foster care payments	25	25	25				20	20	20
Exclusion of parsonage allowances	215	240	265				175	195	215
Total social services (after interactions)	10,965	12,130	13,090						
Grand total (after interactions)	21,365	23,110	24,350						
Health:									
Exclusion of employer contributions for medical insurance premiums and medical care	32,425	36,465	40,945				26,550	29,820	33,450
Exclusion of untaxed Medicare benefits	7,290	7,685	8,325				5,965	6,285	6,810
Deductibility of medical expenses	2,690	2,860	3,035				2,690	2,860	3,035
Exclusion of interest on State and local debt for private nonprofit health facilities	2,805	2,725	2,675				2,430	2,370	2,305
Deductibility of charitable contributions (health)	1,515	1,665	1,785	290	305	325	1,125	1,250	1,350
Tax credit for orphan drug research	*	*	*	*	*	*			
Special Blue Cross/Blue Shield deduction	80	150	175	55	100	120			
Total (after interactions)	46,725	51,400	56,765						
Income security:									
Exclusion of railroad retirement system benefits	275	295	300				275	295	300
Exclusion of workmen's compensation benefits	2,760	2,980	3,220				2,760	2,980	3,220

Table C-1. ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(Fiscal years; in millions of dollars)

Description	Outlay Equivalents			Revenue Loss					
				Corporations			Individuals		
	1989	1990	1991	1989	1990	1991	1989	1990	1991
Exclusion of public assistance benefits:									
Pre-1983 budget method	340	355	375				340	355	375
Post-1982 budget method									
Exclusion of special benefits for disabled coal miners	110	110	110				110	110	110
Exclusion of military disability pensions	105	110	110				105	110	110
Net exclusion of pension contributions and earnings:									
Employer plans	56,985	60,095	62,660				42,805	45,085	46,910
Individual Retirement Accounts	7,155	7,820	8,165				5,440	5,960	6,230
Keogh plans	1,715	1,900	2,100				1,325	1,470	1,630
Exclusion of income earned by voluntary employee beneficiary & other associations	410	445	485				350	380	415
Exclusion of employer provided death benefits	25	25	25				20	20	20
Exclusion of other employee benefits:									
Premiums on group term life insurance	3,195	3,335	3,480				2,460	2,565	2,680
Premiums on accident and disability insurance	165	170	175				125	130	135
Income of trusts to finance supplementary unemployment benefits	30	30	30				30	30	30
Special ESOP rules (other than investment credit)	850	1,745	2,125	580	1,200	1,465	15	20	25
Additional deduction for the blind	10	15	15				10	10	10
Additional deduction for the elderly	1,575	1,885	2,120				1,260	1,505	1,695
Tax credit for the elderly and disabled	95	105	115				75	85	90
Deductibility of casualty losses	170	205	180				140	165	150
Earned income credit ²	2,215	2,405	2,720				1,780	2,045	2,400
Total (after interactions)	75,810	80,670	84,690						
Social Security:									
Exclusion of social security benefits:									
OASI benefits for retired workers	14,840	15,680	16,490				14,840	15,680	16,490
Disability insurance benefits	1,105	1,145	1,195				1,105	1,145	1,195
Benefits for dependents and survivors	2,940	3,110	3,285				2,940	3,110	3,285
Total (after interactions)	18,885	19,935	20,970						
Veterans benefits and services:									
Exclusion of veterans disability compensation	1,490	1,500	1,590				1,490	1,500	1,590
Exclusion of veterans pensions	80	75	75				80	75	75
Exclusion of GI bill benefits	55	45	40				55	45	40
Exclusion of interest on state and local debt for veterans housing	320	295	275				255	240	220
Total (after interactions)	1,945	1,915	1,980						
General government:									
Exclusion of interest on public purpose State and local debt	13,490	13,520	13,865	2,075	2,100	2,105	9,035	9,190	9,240
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	18,495	20,290	21,860				18,495	20,290	21,860
Tax credit for corporations receiving income from doing business in United States possessions	2,895	3,185	3,505	1,910	2,100	2,310			
Total (after interactions)	34,880	36,995	39,230						
Interest:									
Deferral of interest on savings bonds	960	1,070	1,090				960	1,070	1,090
Addendum—Aid to State and local governments:									
Deductibility of:									
Property taxes on owner-occupied homes	10,065	11,240	12,430				10,065	11,240	12,430
Nonbusiness State and local taxes other than on owner-occupied homes	18,495	20,290	21,860				18,495	20,290	21,860
Exclusion of interest on:									
Public purpose State and local debt	13,490	13,520	13,865	2,075	2,100	2,105	9,035	9,190	9,240
IDBs for certain energy facilities	380	405	440	315	340	360			
IDBs for pollution control and sewage and waste disposal facilities	1,905	1,830	1,760	1,575	1,515	1,455			
Small-issue IDBs	3,020	2,840	2,650	2,600	2,445	2,280			
Owner-occupied mortgage revenue bonds	2,195	2,045	1,875				1,895	1,775	1,625
State and local debt for rental housing	1,510	1,420	1,340	1,220	1,150	1,080			
Mass commuting vehicle IDBs	45	40	30	20	20	20			
IDBs for airports, docks, and sports and convention facilities	875	860	840	715	700	685			
State and local student loan bonds	305	275	260				290	265	240
State and local debt for private nonprofit educational facilities	315	305	300				270	265	255
State and local debt for private nonprofit health facilities	2,805	2,725	2,675				2,430	2,370	2,305
State and local debt for veterans housing	320	295	275				255	240	220
Total (after interactions)	23,090	22,575	22,365						

---

* $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $485 million in 1989, $435 million in 1990, and $415 million in 1991.

[2] The figures in the table indicate the tax subsidies provided by the earned income tax credit. The effect on outlays is: 1989, $4,805 million; 1990, $4,195 million; 1991, $4,370 million.

APPENDIX F

Outlays Under Finance Committee Expenditure Accounts for Fiscal Years 1991-1993 (CBO baseline projections—in millions of dollars)

OUTLAYS UNDER FINANCE COMMITTEE EXPENDITURE ACCOUNTS FOR FY 1991-1993

[CBO baseline projections—in millions of dollars]

	Fiscal year—			
	1991	1992	1993	1991-93
Social Security (OASDI)	266,771	283,681	301,485	851,937
Medicare	118,702	133,437	149,676	401,815
Medicaid	45,103	50,753	56,706	152,562
Maternal and Child Health	639	673	702	2,014
Supplemental Security Income	14,431	15,438	16,517	46,386
AFDC and Child Support	12,920	13,495	14,087	40,502
AFDC work programs (WIN/JOBS)	570	660	670	1,900
Earned Income Tax Credit	4,343	4,554	4,754	13,651
Foster Care/Adoption	2,119	2,263	2,474	6,856
Child Welfare Services/Training	276	240	240	756
Social Services	2,800	2,800	2,800	8,400
Unemployment Compensation	18,091	18,682	19,464	56,237
Trade Adjustment	220	223	227	670
Job Service	1,118	1,162	1,209	3,489
Puerto Rico Tax Rebates	205	205	205	615
Puerto Rico Customs Rebates	134	139	145	418
Public Debt Administration	202	211	220	633
Interest on Public Debt	272,318	287,470	303,898	863,686
Interest on Tax Refunds	2,073	2,092	2,201	6,366
Pension Benefit Guaranty Corp.	(264)	(254)	(240)	(758)
U.S. Trade Representative	19	20	20	59
International Trade Commission	39	41	43	123
Customs—general administration	1,193	1,187	1,241	3,621
Customs—air interdiction	220	238	253	711
Customs Refunds, Forfeitures, etc.	54	56	58	168
Tax Court	29	31	32	92
Internal Revenue Service	5,830	6,083	6,347	18,260
Totals:				
Social Security (OASDI)	266,771	283,681	301,485	851,937
Other (except interest)	228,993	252,337	277,850	759,180

CLAIBORNE PELL RHODE ISLAND CHAIRMAN

JOSEPH R BIDEN JR DELAWARE
PAUL S SARBANES MARYLAND
ALAN CRANSTON CALIFORNIA
CHRISTOPHER J DODD CONNECTICUT
JOHN F KERRY MASSACHUSETTS
PAUL SIMON ILLINOIS
TERRY SANFORD NORTH CAROLINA
DANIEL P MOYNIHAN NEW YORK
CHARLES S ROBB VIRGINIA

JESSE HELMS NORTH CAROLINA
RICHARD G LUGAR INDIANA
NANCY L KASSEBAUM KANSAS
RUDY BOSCHWITZ MINNESOTA
LARRY PRESSLER SOUTH DAKOTA
FRANK H MURKOWSKI ALASKA
MITCH McCONNELL KENTUCKY
GORDON J HUMPHREY NEW HAMPSHIRE
CONNIE MACK FLORIDA

GERYLD B CHRISTIANSON STAFF DIRECTOR
JAMES P LUCIER MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510-6225

March 9, 1990

The Honorable Jim Sasser
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with section 302(d) of the Congressional Budget Act of 1974, we are writing to present the views and estimates of the Committee on Foreign Relations with respect to the 1991 budget.

The FY 1991 international affairs budget should reflect the extraordinary developments which have occurred around the world over recent months. A democratic revolution is sweeping across Eastern and Central Europe. German reunification, although it promises to be an arduous process, is, for the first time, within sight. The peaceful, democratic election of Violeta Chamorro in Nicaragua offers hope that peace and democracy may at last prevail in Central America. The removal of Manuel Noriega from power in Panama eliminates a troublesome national security problem in the region and represents an important step forward in the war against drugs. Elections in Namibia and the release of Nelson Mandela in South Africa offer new hope for continuing the progress toward peace and democratic institutions in Southern Africa.

Recent developments, coupled with the diminishing Soviet involvement in regional conflicts and the decreased Soviet military threat to our national security, command a fundamental reevaluation of our international affairs priorities. These developments offer an excellent opportunity to reap a "peace dividend" which can help fund new priorities. No such reevaluation is evident in the Administration's request.

The Administration has requested $21.1 billion in budget authority and $18.9 billion in outlays for international affairs in FY 1991. We believe that, in several areas, the Administration's response is woefully inadequate and, in others,it is too generous. Priorities within the 150 function must be reordered so that greater resources can be directed to strengthening the non-military components of our foreign assistance.

The Administration's request for $8.4 billion in security assistance ignores recent changes that affect the basic rationale for providing such assistance. We believe that substantial cuts can be made in security assistance -- particularly the military and the military-related Economic Support Fund (ESF) accounts -- to help fund new priorities. This can be accomplished while fully maintaining our commitments to the Camp David countries.

We believe that $800 million should be made available to fund a new initiative for meeting rapidly changing events around the globe, primarily to provide support to emerging democracies. The United States must show a strong commitment to encouraging the unprecedented strides toward democracy made recently in Eastern and Central Europe, in Central America, and in Southern Africa, while continuing to build upon progress made in Asia. Assistance programs complementing indigenous efforts to achieve market-oriented economic development are the best support we can provide.

While we applaud the spirit of cooperation on narcotics matters agreed to at the Cartagena summit, the Administration request for $244 million in military and economic aid to help the Andean countries continue to combat drug production is inadequate. In our view, it is essential that we increase economic support for Colombia, Peru, and Bolivia by $121 million over the Administration request to make a meaningful beginning on restructuring the economies of these three major drug producing countries and to develop alternative crops for export.

We support the Administration request for $1.4 billion to pay United States arrearages to international organizations. International organizations have contributed much toward achieving the extraordinary global changes we are witnessing today. For example, the UN helped to ensure the integrity of election results in Namibia and Nicaragua. These and earlier successes, such as the resolution of conflicts in the Persian Gulf and Afghanistan, for which the UN can claim much credit, attest to the invaluable role the UN can play.

Moreover, the UN has instituted a series of reforms to eliminate the most serious abuses for which it was justly criticized. Both the Reagan and Bush Administrations have requested payment of arrearages and full funding for the UN and other international and regional organizations. These organizations are involved in finding solutions to stubborn problems that affect us all. We believe the request to pay arrearages and to fully fund these organizations deserves our support.

Likewise, the Administration's request for $1.7 billion to fund U.S. participation in the Multilateral Development Banks (MDB's), including a new replenishment of the concessional affiliate of the World Bank, the International Development Association, should be funded. This is a cost effective method of providing assistance to the poorest segments of the world's population.

It is vital that our international affairs priorities be reoriented to better enable the United States to meet the challenges of a rapidly changing world. We hope that you will find our recommendations useful in fashioning the 1991 budget. Please let us know if we can be of further assistance.

Sincerely,

Claiborne Pell

Claiborne Pell
Chairman

Joe Biden

Joseph R. Biden, Jr.
Chairman, Subcommittee on
Europe

Paul Sarbanes

Paul S. Sarbanes
Chairman, Subcommittee on
Int'l Economic Policy,
Trade, Oceans and Environment

Alan Cranston

Alan Cranston
Chairman, Subcommittee on
East Asia and the Pacific

Chris Dodd

Christopher J. Dodd
Chairman, Subcommittee on
the Western Hemisphere

John F. Kerry
Chairman, Subcommittee on
Terrorism, Narcotics and
Int'l Operations

Paul Simon

Paul Simon
Chairman, Subcommittee on
Africa

Daniel P. Moynihan
Chairman, Subcommittee on
the Near East and South Asia

WILLIAM V. ROTH, JR.
DELAWARE

104 HART SENATE OFFICE BUILDING
TELEPHONE: 202-224-2441

United States Senate
WASHINGTON, DC 20510

COMMITTEES:
GOVERNMENTAL AFFAIRS
FINANCE
BANKING, HOUSING AND URBAN AFFAIRS
JOINT ECONOMIC COMMITTEE

March 9, 1990

The Honorable James Sasser
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Pete Domenici
Ranking Republican Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete:

As the Ranking Republican Member of the Committee on Governmental Affairs, I am submitting my views with respect to Federal spending in the Committee's jurisdiction in accordance with Section 301 of the Congressional Budget Act. As in the past, I hope that the Committee will contribute to efforts to reduce Federal spending. I stand ready to help.

Before offering these recommendations, however, I would like to state my concern that no single group carry an unfair share of the sacrifices required and urge that reductions be evenly distributed in all areas of the budget. Any action taken this year should be seen in the light of the significant contribution already made toward deficit reduction by the Federal civilian workforce and retirees during the past decade. In this regard, I strongly believe that Federal employees and military personnel should be treated equally with regard to a pay raise and retirees should be treated equally with regard to cost of living adjustments.

The Administration has recently submitted to the Committee a proposal which would reform the Federal Employee Health Benefit Program (FEHBP). This reform package includes a proposal to reduce program expenses by more than $400 million by unifying the reserve requirements of health insurance carriers. Under current law, the program requires each carrier to maintain separate reserves; this proposal would pool the reserves and require a one month requirement instead of two.

Not only would this recommendation lower government expenditures, it would have a positive impact on Federal employee premiums by reducing the overall expense of the health benefit program. If it is assured that this is a fiscally sound proposal, I will recommend it to the Committee.

In addition, I have introduced S.68, the Federal Employees' Optional Early Retirement Act as a means to contribute to deficit reduction. This legislation establishes a 60 day early retirement window for Federal employees and places a five year hiring freeze on the number of positions of those employees who retire during the window period. It is my understanding that some "scoring" questions remain with respect to this bill. I hope that these difficulties can be solved prior to consideration of a reconciliation bill.

I urge the Budget Committee to examine this problem, as it is my understanding many other Committees have felt constrained because of "scoring" issues. It is also unclear whether the suggestion with regard to FEHBP would be "credited" to the Governmental Affairs Committee under the current procedures. This issue should be resolved before any instructions are provided to the Committee.

Lastly, I would recommend that the lump sum retirement benefit for Federal employees continue to be divided into two annual payments. Under current law, the lump sum benefit is provided on this basis, but will revert to a one time payment beginning October 1. The President's budget recommends an elimination of the lump sum retirement option. I would recommend that current law be extended for an additional year, if not permanently.

Thank you for the opportunity to submit my views with regard to the Committee on Governmental Affairs and the Federal budget. It is vitally important that the Congress reduce the deficit through reduced spending. I believe there is ample room for deficit reduction and all Committees should share in this effort.

Sincerely,

Bill

William V. Roth, Jr.
United States Senator

JOSEPH R. BIDEN, JR., DELAWARE, CHAIRMAN
EDWARD M. KENNEDY, MASSACHUSETTS
ROBERT C. BYRD, WEST VIRGINIA
HOWARD M. METZENBAUM, OHIO
DENNIS DeCONCINI, ARIZONA
PATRICK J. LEAHY, VERMONT
HOWELL HEFLIN, ALABAMA
PAUL SIMON, ILLINOIS
STROM THURMOND, SOUTH CAROLINA
ORRIN G. HATCH, UTAH
ALAN K. SIMPSON, WYOMING
CHARLES E. GRASSLEY, IOWA
ARLEN SPECTER, PENNSYLVANIA
GORDON J. HUMPHREY, NEW HAMPSHIRE
MARK H. GITENSTEIN, CHIEF COUNSEL
DIANA HUFFMAN, STAFF DIRECTOR
TERRY L. WOOTEN, MINORITY CHIEF COUNSEL
R.J. DUKE SHORT, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

March 15, 1990

The Honorable Jim Sasser
Chairman
Committee on the Budget
Washington, D.C. 20510

The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
Washington, D.C. 20510

Dear Jim and Pete:

In response to your letter of February 6, 1990, and pursuant to Section 301(c) of the Congressional Budget Act, the Senate Committee on the Judiciary has prepared the following views and estimates for programs under the committee's jurisdiction for fiscal 1991.

The committee recommends $1.9 billion above the President's fiscal 1991 budget request, primarily for drug enforcement initiatives. The committee believes that these funds are absolutely critical to this country's fight against drug trafficking and abuse, particularly to assist state and local drug enforcement agencies.

I hope this report will be helpful to you during the consideration of the fiscal 1991 Budget Resolution.

Sincerely,

Joseph R. Biden, Jr.
Chairman

Enclosure

I. NARRATIVE

The Committee on the Judiciary recommends $14.7 billion in funding for Administration of Justice programs (Function 750) in fiscal 1991. This figure is $1.9 billion above the President's fiscal 1991 budget request and $2.4 billion above the revised Congressional Budget Office baseline estimate for fiscal 1991.

The overwhelming majority of the increases proposed by the committee are aimed at strengthening the federal commitment to this nation's fight against illegal drug trafficking and abuse. The committee supports the proposed increases in the Administration's budget request for anti-drug programs, including the Drug Enforcement Administration, the Organized Crime/Drug Enforcement Task Forces, and the United States Marshals Service.

The committee believes, however, that the President's request falls far short in its response to the drug crisis in this nation. For example, the committee recently approved $450 million above the President's request to assist state and local drug enforcement agencies in fiscal 1991. Despite this significant increase, still more needs to be done to fight drug trafficking and abuse in rural areas, to crackdown on juvenile anti-drug and anti-gang activities, and to expand prison capacity to ensure that drug traffickers and users face swift and sure punishment for their crimes.

I. Recommended Changes

A. New Initiatives

1. State and Local Law Enforcement

The committee recommends $680 million above the President's fiscal 1991 request for the Office of Justice Programs. This includes $450 million for federal aid to state and local drug enforcement drug enforcement agencies, which are on the front line in this nation's fight against drugs, bringing total funding for state and local drug enforcement to $900 million. An additional $20 million is proposed to bolster drug enforcement efforts in rural areas. The committee also recommends $150 million in new funding aimed specifically at juvenile anti-gang and anti-drug initiatives; the committee opposes the Administration's request to cut the general juvenile justice program by more than $60 million.

2. Federal Bureau of Investigation

The committee recommends $98 million above the President's fiscal 1991 request for the FBI. FBI Director William Sessions testified to the committee that his agency is able to target fewer than 50 percent of the organized drug trafficking syndicates that it has identified in the United States. The additional funding should enable the FBI to hire 1,000 new special agents and analysts to target every major drug organization known to the FBI.

3. Regional Prisons and Boot-camps

The committee recommends $850 million above the President's request for corrections initiatives. Specifically, the committee proposes $700 million to build and staff 10 regional prisons that would house federal and state drug offenders, offering comprehensive drug treatment and job training counseling. An additional $150 million is proposed to establish 10 military-style boot camps for first-time, non-violent offenders. Wherever practicable, these boot camps should be constructed on closed military bases and surplus federal property as authorized under existing law.

4. The Judiciary

The committee recommends $50 million more than the President's request for the federal judiciary. Thirty million dollars in increased funding is proposed to implement a comprehensive civil justice reform package in the federal courts. An additional $20 million above the Administration request is sought to help the federal judiciary handle the ever-increasing workload associated with drug cases.

5. Treasury Department Agencies

The committee recommends $25 million above the President's request for the Bureau of Alcohol, Tobacco and Firearms (BATF) and the Internal Revenue Service (IRS). Fifteen million dollars is earmarked specifically for BATF efforts to halt the flow of illegal weapons to South American cocaine cartels. Additional funding is also requested for the IRS to investigate money laundering and tax violations committed by drug traffickers and other organized criminal groups.

6. Drug Emergency Areas

The committee recommends $250 million above the President's request to provide emergency aid to those areas of the country where drug trafficking and related violence outstrip the capacity of state and local agencies to respond. The President's budget proposes $50 million for such areas; the committee recommends a total of $300 million. In addition, the committee believes that such emergency assistance should not be restricted to highly populated centers of drug trafficking and abuse, but should also be available to less-populated areas where drug activities present a threat to public health and safety.

7. Immigration

The committee recommends an increase of $3.5 million above the President's request for the Special Counsel for Unfair Immigration-related Employment Practices to handle the large number of discrimination cases arising from recent immigration law changes. The committee opposes the Administration's proposed cut of $14 million from the Immigration and Naturalization Examinations Fee Account. The committee recommends that this account be funded at $135 million in fiscal 1991.

B. Budget Reductions

1. Parole Commission

The committee supports the proposed reduction of $631,000 for the U.S. Parole Commission included in the President's fiscal 1991 budget request. With the establishment of the Federal Sentencing Commission and the promulgation of the Sentencing Commission's guidelines on November 1, 1987, the Parole Commission has experienced a decreased workload. As a result, a total of 33 permanent positions can be reduced for a savings of $631,000.

2. General Administration

The committee supports the proposed reduction of $494,000 in the General Administration account included in the President's budget request. Specifically, the committee supports the $208,000 and $286,000 reductions in the Department Leadership and Executive Support programs, respectively. The committee, however, does not support the proposed reduction of four permanent positions and $1.1 million in the Justice Management Division.

3. Immigration Emergency Fund

The committee supports the Administration's request for no appropriations for the Immigration Emergency Fund, for a savings of $35 million from the fiscal 1990 appropriations level. Although the committee believes that border interdiction programs should be strengthened where possible, these efforts should be addressed through the general budget appropriations for the several border control agencies.

III. Table of Committee Views and Estimates Programs under the Senate Committee on the Judiciary

(billions of dollars)

	Revised 1991 CBO Baseline	President's 1991 Request	Committee 1991 Recommendation
Function 750 (Administration of Justice)	$ 12.3	$ 12.8	$ 14.7

JOSEPH R. BIDEN, Jr., DELAWARE, CHAIRMAN

EDWARD M. KENNEDY, MASSACHUSETTS
HOWARD M. METZENBAUM, OHIO
DENNIS DeCONCINI, ARIZONA
PATRICK J. LEAHY, VERMONT
HOWELL HEFLIN, ALABAMA
PAUL SIMON, ILLINOIS
HERBERT KOHL, WISCONSIN

STROM THURMOND, SOUTH CAROLINA
ORRIN G. HATCH, UTAH
ALAN K. SIMPSON, WYOMING
CHARLES E. GRASSLEY, IOWA
ARLEN SPECTER, PENNSYLVANIA
GORDON J. HUMPHREY, NEW HAMPSHIRE

RONALD A. KLAIN, CHIEF COUNSEL
DIANA HUFFMAN, STAFF DIRECTOR
JEFFREY J. PECK, GENERAL COUNSEL
TERRY L. WOOTEN, MINORITY CHIEF COUNSEL
AND STAFF DIRECTOR

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

March 13, 1990

Senator Jim Sasser
Chairman
Committee on the Budget
Washington, D.C. 20510

Senator Pete V. Domenici
Ranking Minority Member
Committee on the Budget
Washington D.C. 20510

Dear Jim and Pete:

Pursuant to the Congressional Budget Act, enclosed is a report expressing the views of the Minority Members of the Judiciary Committee on President Bush's fiscal 1991 budget request for Administration of Justice programs. I hope it will be helpful to you as you work on the concurrent budget resolution.

With kindest regards and best wishes,

Sincerely,

Strom Thurmond
Strom Thurmond

GENERAL BUDGET PROPOSALS

The President has requested a substantial $12.8 billion for programs under the Judiciary Committee's jurisdiction. The bench-mark for the Republican members of the Committee is the President's request.

Specifically, the President has requested $587 million for the Office of Justice Programs (OJP). Although the Committee has approved an authorization for increased funding for State and local law enforcement assistance under OJP, it should be examined in light of the Committee's desire to fund law enforcement initiatives as part of any comprehensive drug strategy.

The President also proposes to increase spending for the Federal Bureau of Investigation. The request for $1.6 billion includes a total of 9,714 special agent positions and 11,929 support positions. This request recognizes the importance of the FBI as the Federal government's only general purpose investigative arm.

In addition, the Minority Members of the Committee support the President's request for $700 million for the Drug Enforcement Administration. This figure represents a 27 percent increase over last year's funding and should greatly enhance the DEA's efforts against drugs.

The Minority Members believe the President's budget reductions should be considered as well. The President proposes a decrease of 33 permanent positions from the U.S. Parole Commission, recognizing the decreased workload it has experienced as a result of the establishment of the U.S. Sentencing Commission. This recommendation would result in a savings of $631,000.

In summary, the President's $12.8 billion budget request for fiscal 1991 Administration of Justice programs responds to the drug and crime crisis facing our Nation. The Administration has increased requests for the FBI, the DEA, the Organized Crime Drug Enforcement Task Force Program ($330 million), U.S. Attorneys ($109 million), Marshals ($50 million), the Federal Judiciary and other areas. These increases combined with appropriate budget allocations in other areas, such as prisons and general administration, provide evidence of the Administration's commitment to solving our Nation's serious crime and drug problem. The President's request demonstrates an ability to spend the available resources to address the drug and crime war effectively.

NARRATIVE

The President's fiscal 1991 budget request for $12.8 billion reflects the Administration's strong commitment to attack the drug and crime crisis facing our Nation. The President's budget request is premised, in large part, upon the Administration's National Drug Control Strategy. This Strategy, which was presented to Congress pursuant to law, provides a unified, integrated, and truly National policy aimed at the complicated array of problems posed by illicit narcotics.

Actual spending under the entire Strategy represents a 41 percent increase in spending in just one year. The Minority Members support these budgetary increases proposed by the President. Full implementation of the President's Strategy is crucial to our efforts in the war on drugs and related violent crime.

In addition to appropriately funding the President's drug initiative, the Minority Members believe tough legislation should be enacted to punish those who commit drug related and violent crimes. Further, legislative efforts to reform and eliminate the abuse of procedures within our criminal justice system must be considered.

The Judiciary Committee will soon examine several budget related legislative proposals. Currently pending on the Committee's agenda are line-item veto and balanced budget proposals. Other legislation which would have a budgetary impact may also be considered by the Committee such as child victims' rights legislation and new drug initiatives.

EDWARD M. KENNEDY, MASSACHUSETTS, CHAIRMAN

CLAIBORNE PELL, RHODE ISLAND
HOWARD M. METZENBAUM, OHIO
SPARK M. MATSUNAGA, HAWAII
CHRISTOPHER J. DODD, CONNECTICUT
PAUL SIMON, ILLINOIS
TOM HARKIN, IOWA
BROCK ADAMS, WASHINGTON
BARBARA A. MIKULSKI, MARYLAND

ORRIN G. HATCH, UTAH
NANCY LANDON KASSEBAUM, KANSAS
JIM JEFFORDS, VERMONT
DAN COATS, INDIANA
STROM THURMOND, SOUTH CAROLINA
DAVE DURENBERGER, MINNESOTA
THAD COCHRAN, MISSISSIPPI

NICK LITTLEFIELD, STAFF DIRECTOR AND CHIEF COUNSEL
KRISTINE A. IVERSON, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, DC 20510-6300

March 21, 1990

The Honorable James Sasser
Chairman
Committee on the Budget
United States Senate
Washington DC 20510

Dear Senator Sasser:

The attached material describes the changes to the CBO baseline projections that will be necessary to implement high priority programs and initiatives within the jurisdiction of the Labor and Human Resources Committee.

Our initiatives increase CBO baseline outlay projections in existing programs by $2.55 billion in 1991. This request reflects the judgement by the Labor Committee of the resources necessary to redress years of neglect of pressing national needs and to begin to develop a strategy of investing in America to assure a stronger and more prosperous future for the nation. In many cases these proposals are bipartisan requests developed by the relevant subcommittee subcommittee chairman and ranking member.

Our letter asks you to leave room in the Budget Resolution for eight new programs that we believe will be in place for FY 1991. We request $1.12 billion in outlays for these initiatives in the coming fiscal year. One of these initiatives is to establish a universal health insurance program for all Americans. Although the program will not require actual expenditures in FY 1991, we feel that the Budget Resolution should reflect the impact that this new program will have in FY 1992.

As members of the Labor and Human Resources Committee, we are requesting funding for programs within our jurisdiction that are designed to address some of the major domestic problems faced by our country. Fighting the drug scourge, educating our children, increasing resources for health care, eliminating the AIDS crisis and providing adequate child care for working Americans are only some of these critical investments in our nation's future.

We recognize that the future stability of our country depends on effective measures to reduce the federal deficit. Many of the programs that we discuss in the attached document are cost-effective responses to the problems they address.

We look forward to working with the Budget Committee in developing a budget resolution that reduces spending in a fiscally prudent manner.

Edward M. Kennedy

Brock Adams

Spark M Matsunaga

Chris Dodd

Tom Harkin

Paul Simon

Barbara A. Mikulski

SUMMARY OF COMMITTEE ON LABOR AND HUMAN RESOURCES PROPOSALS FOR FISCAL YEAR 1990 BUDGET CURRENT AND PLANNED INITIATIVES

CURRENT PROGRAMS

Children and Family

Proposal A: Head Start

Education

Proposal A: Compensatory Education
Proposal B: Vocational Education
Proposal C: School Improvement
Proposal D: Student Financial Assistance

Handicapped

Proposal A: Education of the Handicapped
Proposal B: Vocational Rehabilitation

Health

Proposal A: National Institute of Health
Proposal B: Drugs - Treatment and Prevention
Proposal C: Critical Prevention Needs

Low Income

Proposal A: McKinney Homeless
Proposal B: LIHEAP

Labor

Proposal A: Economic Dislocation and Worker Adjustment
Proposal B: Job Training Partnership Act

Scientific Facilities

Proposal A: National Science Foundation Research and Construction

NEW INITIATIVES

Children and Family

Proposal A: Child Care

Education

Proposal A: Science-Math Education
Proposal B: National Community Service
Proposal C: Teacher reform

Health

Proposal A: Universal Health Insurance
Proposal B: AIDS
Proposal C: Tobacco

Low Income

Proposal A: Homeless bill

Committee on Labor and Human Resources

Narrative on Recommended Spending Levels

Current Programs

Children and Family

Proposal A: Head Start -- $1 billion above baseline

Head Start is one of the nation's most important and successful social programs. However, it remains seriously underfunded. Increasing funding of this program by $1 billion will allow us to serve an additional 286,000 children bringing the percentage of the eligible population served up to 35 percent.

Education

Proposal A: Compensatory Education -- $500 million above baseline

A $500 million increase above baseline will enable the program to serve another 500,00C eligible children and also maintain the commitment in the Hawkins-Stafford Act to increase funding by $500 million a year for each year through fiscal year 1993. This increase will enable this important, proven education program to serve more than 50% of all eligible children.

Proposal B: Vocational and Adult Education -- $200 million above baseline

A $200 million increase above baseline will provide additional funds for Vocational Education and Adult Education. The increase in Vocational Education funding would help implement the newly reauthorized Vocational Education Act focusing upon integrating Academic and Vocational Education.

The $70 million increase for Adult Education would enhance the program central to meeting the goal of making America a literate nation. The Adult Education Act, however, serves less than 10 percent of those who need services - at a time when the number of illiterate Americans is increasing. The Committee recommends an increase to boost the number of individuals by nearly 50 percent.

Proposal C: School Improvement Program -- $150 million above baseline

A $150 million increase above baseline would provide an additional $100 million for the Eisenhower Math and Science Education program and $50 million for the recently reauthorized Dropout Demonstration Assistance Act.

The $100 million increase in math and science funding is $5.6 million above the President's request and would enable this program to nearly double the assistance provided to states and higher education institutions. The $50 million increase in funding for the Dropout program would enable the program to make approximately 125 grants to local school districts and community based organizations.

Proposal D: Student Financial Assistance -- $750 million above baseline

For student financial assistance we request $750 million above baseline. According to preliminary figures from the Congressional Budget Office, a $500 million increase in the Pell Apppropriation would allow us to fund a $2600 maximum grant - a $300 increase above the current maximum award. An additional $250 million would be available for targeted increases in such critically important programs as Supplemental Grants, Special Programs for the Disadvantaged (commonly known as TRIO), College Work Study, State Student Incentive Grants, and Graduate Assistance in Areas of National Need.

HANDICAPPED

Proposal A: Education of the Handicapped -- $210 million above baseline

A $210 million increase over baseline is consistent with programmatic changes made by the reauthorization of the Education of the Handicapped Act (EHA) in 1986 and anticipated in the reauthorization of the bill this year. The changes made in the 1986 reauthorization include the establishment of an early intervention program for handicapped infants from birth through age two and the enhancement of services for preschool handicapped children.

Modest increases are also requested to incorporate selected recommendations of the Commission on Education of the Deaf, new initiatives for crack babies, seriously emotionally disturbed students, personnel preparation and parental training centers.

Proposal B: Vocational Rehabilitation -- $140 million above baseline

This increase represents a modest increase over the minimum entitlement required by law. It includes increases for the other rehabilitation programs consistent with the authorized levels established by the Rehabilitation Act Amendments of 1986 and to implement the new Technology-Related Assistance for Individuals with Disabilities Act of 1988.

HEALTH

Proposal A: National Institutes of Health -- $300 million above baseline

This increase would raise NIH funding to a level sufficient to fund the same number of new and competing grants as in 1987. New and competing grants are the most appropriate measure of the national biomedical research effort, since they reflect the nation's ongoing commitment to investigator-initiated research subject to peer review. Since 1987, the number of new and competing grants funded annually has declined from 6,278 to 4,394 (these figures exclude AIDS research grants). The proportion of approved grants that can be funded has fallen 38.3 percent to 24.1 percent. In order to maintain the United States' position as the world leader in biomedical research, to take advantage of opportunities for breakthrough developments in a host of research areas, and to keep young scientists in the field, a restoration of NIH research to earlier levels is essential.

This increase will permit the funding of approximately 1,600 new and competing research project grants and bring the funding rate back up to 35 percent.

Proposal B: Drug Treatment and Prevention -- $600 million above baseline

An increase of $400 million above baseline for drug treatment would bring it to a level sufficent to increase treatment quality with a lesser increase in treatment capacity. New resources would be targetted at pregnant women, children of substance abusers and those at risk of AIDS. Currently, we treat less than 20 percent of addicts annually. Each dollar spent on drug treatment results in a savings of $11.54 in other costs. Increases at the recommended level would expand treatment resources on a path that will ultimately result in reaching the national goal of availability of treatment for all who wish to cure their addiction.

An increase of $200 million over baseline for drug prevention would bring these programs closer to a level necessary to provide an adequate prevention program in every school and fund the backlog of the Office of Substance Abuse Prevention community prevention grants.

Proposal C: Critical Prevention Needs -- $175 million above baseline

This increase would provide critical funding for the Center for Disease Control (CDC), National Health Service Corps (NHSC) and AIDS programs.

Funds would be used to support the creation of an Injury Control Center at CDC. The cost effective program has been enormously successful but hindered by lack of funds. It would also be used to ensure adequate vaccines for the immunization of children against measles and other preventable diseases and to ensure the effective testing and treatment for tuberculosis. Additional funds would be provided for paid tobacco, AIDS prevention advertising and prevention of breast and cervical cancer.

Increased funds are needed for the National Health Service Corps to meet critical health manpower shortages. An increase of $50 million over current services would support 900 additional providers next year through a combination of scholarships, loans and field volunteers.

LOW INCOME

Proposal A: McKinney Homeless -- $100 million over baseline

We agree with the President that the McKinney Homeless Assistance program should be fully funded. In some programs, this goal will only require current services. In others, like Health Care Programs, this will require real increases.

Proposal B: LIHEAP -- $150 million above baseline

LIHEAP, the Low Income Home Energy Assistance Program is critically underfunded. The Committee recommends that the program receive an increase in funding this year to bring it to a level of $1.6 billion. It is currently authorized at $2.3 billion but funded at $1.39 billion. Currently, the program serves 6 million households -- less than one third of the eligible households. The increase would allow it to serve approximately 1 million additional households.

Proposal C: Job Training Partnership Act -- $300 million above baseline

The increase of $300 million would support employment and training opportunities under the Job Training Partnership Act (JTPA) for approximately 135,000 economically disadvantaged adults and youths facing multiple barriers to employment. A new youth initiative, Fair Chance, would be started with $50 million of the new funds. The additional funding represents a modest effort to address an emerging crisis in the workplace - an excess of unskilled workers who are unable to find employment, coupled with growing shortages of skilled workers.

Since FY 1981, funding in real terms for job training for unskilled, low-income persons has dropped by over 60 percent. Even with the requested budget increase, fewer persons will be served in Title II programs in FY 1991 than in the current fiscal year because participants will receive longer and more extensive (thus, more costly) services.

The additional funding would be contingent upon passage of S.543 which revises Title II and authorizes the Fair Chance youth initiative under JTPA to target and strengthen the Act's services to the least job ready individuals.

LABOR

Proposal A: Economic Dislocation and Worker Adjustment (EDWAA) -- $118 million above baseline

EDWAA implemented the recommendations of a Labor Department Task Force and revised Title III of the Job Training Partnership Act to expand training and job search assistance for dislocated workers. Current funding levels fall far short of the level needed to fund this program adequately. Significant new dislocations will occur as defense cutbacks and base closings begin.

SCIENTIFIC FACILITIES

Proposal A: National Science Foundation Research and Construction -- $100 million above baseline

Basic scientific research plays a key role in developing the knowledge base needed to increase America's productivity and improve our economic competitiveness. The President's FY 1991 budget requests a $229 million increase in spending for the National Science Foundation's research activities and we urge the Budget Committee to make room for this increase. The President's budget also proposes a $46 million increase in science and engineering education, a 23 percent increase.

In addition to the research base and human resources, the nation needs high quality academic research facilities to conduct world class research. It is widely recognized that these facilities have deteriorated over the last two decades. As a result, we request that the Budget Committee allocate $100 million to continue and expand the Academic Facilities Modernization Act that was establishod in 1990.

New Initiatives

CHILDREN AND FAMILY

Proposal A: Child Care -- $1.2 billion

On June 23, 1989, the Senate passed S.5, the Act for Better Child Care Services, legislation designed to improve the affordability, availability and quality of child care for low income and working families. The Senate included $1.2 billion for S.5 in both the Budget Resolution and Appropriations bill in fiscal year 1990. The House did not complete action on the bill. Negotiations are expected to resolve the differences in Congress in sufficient time to begin the program next year. We recommend $1.2 billion for fiscal year 1991.

EDUCATION

Proposal A: Science-Math Education -- $100 million

The crisis in science and mathematics education has been widely documented. The Labor Committee is currently considering a Kennedy-Hatfield bill that would authorize a number of new initiatives designed to address these problems. We expect to report this legislation out of Committee in the spring. The authorization level for this bill is $100 million and we request that the Budget Committee allow $100 million for this initiative in the Budget Resolution.

Proposal B: National Community Service -- $125 million

The Senate has completed action on S. 1430, the National and Community Service Act of 1990. House action is expected before the end of this session. Through the programs authorized by this bill between 750,000 and 1,000,000 people will volunteer, providing more than 100,000,000 million hours of service on projects in their states and local communities. We request $125 million in funding for this program in fiscal year 1991.

Proposal C: Teacher Reform -- $100 million

The United States faces a shortage of 200,000 teachers nationwide within three years, as well as the need to provide new and innovative programs of upgrading the teaching skills and information base of existing teachers. A total of $100 million is needed to fund new programs to attract new teachers into the profession, particularly among minorities and to provide the necessary upgrading of inservice training programs.

HEALTH

Proposal A: Universal Health Insurance

The first phase of a universal health insurance program would permit coverage of all uninsured workers and their families and all low income children. The small business insurance market would be restructured, and measures to control health care costs would be instituted. Because of the necessity to permit an appropriate adjustment period and to allow time to institute small business insurance market reforms, spending would not begin until FY 1992.

Proposal B: Comprehensive AIDS Resources Emergency Act of 1990(CARE) -- $500 million

The AIDS health "disaster" has pushed urban health care systems to the brink of collapse and is now expanding more rapidly in rural areas and among low-income minority populations with no access to health care. This initiative will provide relief to hard hit cities as well as develop and deliver health care services to individuals and families with AIDS through grants to all states. The proposal was recommended by two successive AIDS Commissions.

Proposal C: Tobacco Products Education and Health Protection Act - $100 million

S.1883 would create a Center for Tobacco Products which would be responsible for developing education and counter advertising programs to combat the use of tobacco -- specifically targetted at minors. It would create model programs in states that have shown leadership in this area. The bill authorizes $185 million. We recommend $100 million for fiscal year 1991.

Low Income

Proposal A: Homeless Prevention and Community Revitalization Act -- $100 million

This bill authorizes $265 million in discretionary grants to provide on-site services to residents of low income housing. Services will focus on families with children, elderly and people with serious illnesses and the mentally ill who suffer from substance dependence. The bill would also provide funding to community development corporations for low income housing. We request $100 million for fiscal year 1991.

COMMITTEE ON LABOR AND HUMAN RESOURCES

Spending Levels - Above baseline
(In Millions)

	Current Programs				
	1991	1992	1993	1994	1995
Children and Family					
Proposal A: Headstart					
BA	1000	1040	1081	1125	1170
O	500	970	1059	1101	1145
Education					
Proposal A: Compensatory Education					
BA	500	520	540	563	585
O	60	402	509	539	560
Proposal B: Vocational Education					
BA	200	208	216	225	234
O	24	161	203	216	224
Proposal C: School Improvement					
BA	150	156	162	169	176
O	18	121	153	162	168
Proposal D: Student Financial Assistance -- Pell Grant					
BA	500	520	541	562	585
O	100	494	524	545	567
Other Programs					
BA	250	260	270	281	293
O	25	244	261	271	282
Handicapped					
Proposal A: Education of Handicapped					
BA	210	218	227	236	246
O	25	169	214	226	235

	1991	1992	1993	1994	1995
Proposal B: Vocational Rehabilitation					
BA	140	146	151	157	164
O	17	113	142	151	157
Health					
Proposal A: NIH					
BA	300	312	325	330	351
O	120	275	313	328	341
Proposal B: Drugs/ Treatment					
BA	400	416	433	450	468
O	204	352	418	439	457
Drugs/Prevention					
BA	200	208	216	225	234
O	24	161	203	216	224
Proposal C: Critical Prevention Needs					
BA	175	182	189	197	205
O	95	146	176	192	199
Low Income					
Proposal A: McKinney Homeless					
BA	100	104	108	113	117
O	50	97	106	110	115
Proposal B: LIHEAP					
BA	150	156	162	169	176
O	137	156	162	168	175
Labor					
Proposal A: EDWAA					
BA	118	148	153	159	166
O	4	95	137	152	159

	1991	1992	1993	1994	1995
Proposal B: JTPA - Title II					
BA	250	260	270	281	293
O	10	210	254	269	280
Fair Chance Youth Opportunities Unlimited					
BA	50	52	54	56	59
O	19	42	50	54	56
Scientific Research					
Proposal A: NSF					
BA	100	104	108	113	117
O	0	10	70	103	107

New Initiatives

	1991	1992	1993	1994	1995
Children and Family					
Proposal A: Child Care					
BA	1200	1248	1298	1350	1404
O	396	1132	1261	1312	1364
Education					
Proposal A: Science - Math Ed.					
BA	100	104	108	113	117
O	50	97	106	110	115
Proposal B: National Community Service					
BA	125	130	135	141	146
O	63	128	133	138	143

	1991	1992	1993	1994	1995
Proposal C: Teacher Reform					
BA	100	104	108	113	117
O	50	97	106	110	115
Health					
Proposal A: Universal Health Care					
BA	--	3160	3286	3418	3555
O		3160	3286	3418	3555
Proposal B: AIDS					
BA	500	521	543	566	590
O	450	511	532	556	579
Proposal C: Tobacco					
BA	100	104	108	113	117
O	60	102	107	111	115
Low Income					
Proposal A: Homeless					
BA	100	104	108	113	117
O	50	97	106	110	115

WENDELL H. FORD, KENTUCKY, CHAIRMAN
CLAIBORNE PELL, RHODE ISLAND
ROBERT C. BYRD, WEST VIRGINIA
DANIEL K. INOUYE, HAWAII
DENNIS DeCONCINI, ARIZONA
ALBERT GORE, Jr., TENNESSEE
DANIEL PATRICK MOYNIHAN, NEW YORK
CHRISTOPHER J. DODD, CONNECTICUT
BROCK ADAMS, WASHINGTON
TED STEVENS, ALASKA
MARK O. HATFIELD, OREGON
JAMES A. McCLURE, IDAHO
JESSE HELMS, NORTH CAROLINA
ROBERT DOLE, KANSAS
E.J. (JAKE) GARN, UTAH
MITCH McCONNELL, KENTUCKY
JAMES O. KING, STAFF DIRECTOR
WILLIAM McWHORTER COCHRANE, SENIOR ADVISER
GAIL S. MARTIN, CHIEF CLERK
WAYNE A. SCHLEY, REPUBLICAN STAFF DIRECTOR

United States Senate
COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, DC 20510-6325

March 9, 1990

The Honorable Jim Sasser, Chairman
The Honorable Pete V. Domenici, Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Jim and Pete:

This is in response to your letter dated February
regarding the views and estimates of the Rules Committe
budget for fiscal year 1991.

Sec. 3 of S. 137, the Senatorial Election Campaig
1989, would double the amount of the tax check-off whi
the Presidential Election Campaign Fund and provide pu
funding for campaigns for election to the Senate. The in
budget authority and outlays are set forth in the att

With respect to the Legislative Branch accounts he
committee's jurisdiction, we believe that the amounts
President's budget are the appropriate levels for the budge
resolution. As you know, these estimates are the estimates of the Legislative Branch and are printed in the President's budget without change. With respect to other accounts outside the Legislative Branch, we believe that the amounts in the CBO preliminary baseline are the appropriate levels for the budget resolution.

Sincerely,

Ted Stevens
Ranking Minority Member
with [illegible]

Wendell
Wendell H. Ford
Chairman

Attachment

ADDENDUM FOR SENATOR STEVENS

The recent special panel of experts on campaign financing reforms gives a real opportunity for bipartisan cooperation to eliminate the deadlock on campaign reform proposals. I have signed the report on the basis of my feeling that the bill which does become law will have some budgetary impact but not as much as reported by the Majority in S. 137. I remain opposed to S. 137.

INCREASE IN PRESIDENTIAL ELECTION CAMPAIGN FUND CHECK-OFF TO PROVIDE PUBLIC FUNDING TO SENATORIAL CANDIDATES
AS PROVIDED BY S. 137
(in thousands of dollars)

CURRENT LAW (CBO REVISED BASELINE)	1989	1990	1991	1992	1993	1994	1995
Beginning balance	52,462	82,927	112,727	120,967	508	25,844	55,789
Amounts to fund from check-off	32,286	30,000	29,000	32,405	30,000	30,000	29,000
Outlays for presidential candidates	1,821	200	20,760	152,864	4,664	55	24,288
Ending balance	82,927	112,727	120,967	508	25,844	55,789	60,501
Recapitulation							
Budget authority	32,286	30,000	29,000	32,405	30,000	30.000	29,000
Outlays	1,821	200	20,760	152,864	4,664	55	24,288 (N1)

INCREASE IN CHECK-OFF AND PUBLIC FINANCING OF SENATE ELECTIONS	1989	1990	1991	1992	1993	1994	1995
Beginning balance	52,462	82,927	112,727	149,967	0	55,336	40,281
Amounts to fund from check-off - (N2)	32,286	30,000	58,000	64,810	60,000	60,000	58,000
Outlays for presidential candidates	1,821	200	20,760	152,864	4,664	55	24,288
Balance from presidental candidates	82,927	112,727	149,967	61,913	55,336	115,281	73,993
Senate candidate entitlements	0	0	0	80,000	0	75,000	0
Outlays to senate candidates	0	0	0	61,913	0	75,000	0
Ending balance	82,927	112,727	149,967	0	55,336	40,281	73,993 (N3)
Recapitulation							
Budget authority	32,286	30,000	58,000	64,810	60,000	60,000	58,000
Outlays	1,821	200	20,760	214,777	4,664	75,055	24,288

INCREASE OVER BASELINE	1989	1990	1991	1992	1993	1994	1995
Budget authority			29,000	32,405	30,000	30,000	29,000
Outlays			0	61,913	0	75,000	0

N1 - This 1995 balance under current law, when addad to the 1996 check-off of $29 million is insufficient to cover the 1996 outlays, estimated at $225.4 million. The account will be $191.5 million in deficit.

N2 - The check-off amount doubles from $1.00 for an individual return and $2.00 for a joint return to $2.00 and $4.00, respectively, beginning in 1991. An alternate proposal from the Federal Election Commission, which has not been considered by the Committee, would raise the check-off an additional dollar ($2.00 for a joint return) beginning in 1994, with additional increases in future years to match inflation. The budget authority amounts for this proposal would be:

1989	1990	1991	1992	1993	1994	1995
32,286	30,000	58,000	64,810	60,000	90,000	87,000

N3 - This 1995 balance, when added to the proposed 1996 check-off of $58 million, is insufficient to cover the 1996 outlays for Presidential candidates, estimated at $225.4 million. The account will be $93 million in deficit, and no funds will be available for Senatorial candidates. If the additional check-off beginning in 1994 is adopted (see note 2), the deficit in the account in 1996 will be $34 million.

DALE BUMPERS, ARKANSAS, CHAIRMAN

SAM NUNN, GEORGIA
MAX BAUCUS, MONTANA
CARL LEVIN, MICHIGAN
ALAN J. DIXON, ILLINOIS
DAVID L. BOREN, OKLAHOMA
TOM HARKIN, IOWA
JOHN F. KERRY, MASSACHUSETTS
BARBARA A. MIKULSKI, MARYLAND
JOSEPH I. LIEBERMAN, CONNECTICUT

RUDY BOSCHWITZ, MINNESOTA
ROBERT W. KASTEN, JR., WISCONSIN
LARRY PRESSLER, SOUTH DAKOTA
MALCOLM WALLOP, WYOMING
CHRISTOPHER S. BOND, MISSOURI
CHARLES E. GRASSLEY, IOWA
TRENT LOTT, MISSISSIPPI
CONRAD BURNS, MONTANA
TED STEVENS, ALASKA

JOHN W. BALL III, STAFF DIRECTOR
PETER COYLE, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

March 9, 1990

The Honorable Jim Sasser
Chairman, Committee on the Budget
United States Senate
Washington, D. C. 20510

The Honorable Pete V. Domenici
Ranking Member, Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete:

This letter constitutes the Small Business Committee's response with respect to the President's budget proposal for fiscal year 1991 in compliance with the Budget Act. Our Committee held a hearing on the Administration's budget on March 8 which addressed most of the issues discussed herein.

The budget which President Bush has proposed is much more positive for the Small Business Administration than those proposed by his predecessor. While most SBA programs are proposed for continuation, there are nonetheless a number of proposals for previous years which our Committee finds objectionable and is unlikely to approve.

First, concerning the SBA flagship lending program, Sec. 7(a) guaranteed lending, the Administration has requested $3.2 billion in guaranteed lending authority, which was the FY '90 appropriated level before the November sequestration order. The proposed $3.2 billion would actually be below the current services level when inflation is taken into account. While the current level seems to be adequate thus far in 1990, it is not entirely clear whether essentially the same level will meet the needs of small business lenders and borrowers for the remainder of this year, to say nothing of 1991. In order to ensure an adequate flow of capital to small firms next year, we recommend that the credit budget provide for a 1991 guaranteed lending level of $3.5 billion. This slight increase should require little or no increased budget authority or outlays, since the 2% guaranty fee on new loans more than offsets any losses in the first year.

In connection with the Sec. 7(a) program, the Administration has proposed an increase in the guaranty fee from two points to five. In other words, on a loan of $500,000, SBA would take a $25,000 guaranty fee. This proposal has been advanced for several years, and it was roundly criticized by Senators on both sides of the aisle at our recent hearing. A similar but more drastic fee increase is proposed for the SBIC and MESBIC programs. Their current fee of 1.185% would go to 3% for MESBIC's and 5% for regular SBIC's. The SBIC program will be the subject of oversight hearings in our Committee in the next few weeks, and we will then be in a better position to express an opinion on the need for any increase. Moreover, the Administration proposes a cut in SBIC debenture guaranty authority from $245 million to $100 million.

The Adminstration has proposed elimination of all remaining SBA direct lending, with the exception of Sec. 8(a) direct loans of $5 million. The targets of these eliminations would be the handicapped, Vietnam veterans and Minority Enterprise Small Business Investment Companies. This proposal has been made for a number of years and has drawn little or no congressional support. The total savings of $77 million is relatively small, and these small direct lending programs are badly needed by groups which simply will not be served by the credit markets, even with a partial government guaranty as has been proposed.

With respect to the SBA disaster assistance loan program, the Administration has proposed to make those who are creditworthy elsewhere ineligible for an SBA disaster loan. For those unable to obtain credit elsewhere, SBA direct lending would continue to be available, but the interest rate would be increased from 4% to the Treasury's cost of money. This proposal will be considered in a second hearing in our committee, but it has already been heavily criticized by both Democrats and Republicans on our Committee and seems unlikely to be adopted. The proposal artificially divides all disaster victims into those who supposedly need no federal help and those who are nearly destitute.

A number of increased user fees have been proposed, some of which would not require legislation. Under the best circumstances, perhaps $2 million could be realized through these fees, but some are likely to be criticized as discouraging program participation.

The Administration has proposed to reduce Small Business Development Center (SBDC) grants from $50 million to $30 million. This program has succeeded in leveraging well over one dollar of state and local funds for each federal dollar. The Administrator testified that SBA had requested full funding of the program for next year, but her request was rejected by OMB. We do not believe such a reduction should or will be implemented by Congress.

On the positive side, the Administration has proposed increasing funding for Women's Business Training Center grants from $2 million to $5 million. SBA has also asked for approximately $4 million to implement an already agreed-upon move of its headquarters to a new location on South Capitol Street, and about $3 million to replace its outdated mainframe computer. All of these requests are meritorious, and we hope the budget will allow for them to be funded.

Several members of the Committee have also expressed an interest in authorizing SBA to design and implement a computerized technology transfer data base to provide small businesses direct access to federal technology which is available for commercialization. If implemented, this program is estimated to cost less than $5 million.

Sincerely,

Rudy

Rudy Boschwitz
Ranking Minority Member

Dale

Dale Bumpers
Chairman

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
SPARK M. MATSUNAGA, HAWAII
DENNIS DeCONCINI, ARIZONA
GEORGE J. MITCHELL, MAINE
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
BOB GRAHAM, FLORIDA
FRANK H. MURKOWSKI, ALASKA
ALAN K. SIMPSON, WYOMING
STROM THURMOND, SOUTH CAROLINA
ARLEN SPECTER, PENNSYLVANIA
JAMES M. JEFFORDS, VERMONT
JONATHAN R. STEINBERG, CHIEF COUNSEL/STAFF DIRECTOR
ALAN C. [illegible], MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

March 12, 1990

Honorable Jim Sasser
Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Jim and Pete,

Pursuant to section 301(c) of the Congressional Budget Act of 1974 and the approval -- by a bipartisan majority of 8 to 3 -- of the Committee on Veterans' Affairs, our Committee hereby reports to the Committee on the Budget our views and estimates with respect to the FY 1991 budget for veterans' programs within the jurisdiction of our Committee and the need for an FY 1990 supplemental appropriation in the Department of Veterans Affairs (VA) Medical Care account. This report comprises our Committee's recommendations for programs in Function 700 (Veterans' Benefits and Services), including the new United States Court of Veterans Appeals, and for certain veterans' programs included in Function 500 (Education, Training, Employment, and Social Services).

We have carefully reviewed the Administration's FY 1991 budget for veterans' programs and the testimony of witnesses at the Committee's February 23, 1990, hearing on the budget -- including representatives of VA, the Department of Labor (DOL), the Court of Veterans Appeals, veterans' service organizations, labor and professional organizations whose members are involved in VA medical care and research, and housing-industry associations, as well as panels of VA regional office and medical center officials. We also have given careful consideration and substantial weight to the January 1990 "Fiscal Year 1991 Independent Budget for Veterans Affairs" prepared by four veterans' organizations -- AMVETS, the Disabled American Veterans, the Paralyzed Veterans of America, and the Veterans of Foreign Wars -- and endorsed by 18 other organizations. The Committee also considered the answers to well over one hundred prehearing and posthearing written questions that the Committee submitted to VA, DOL, the Court, and other organizations.

In preparing our recommendations, we have been most mindful of the urgent need to control federal spending in order to reduce the huge federal deficit. However, we also strongly believe that deficit-reduction efforts must consider our obligations to our Nation's veterans and their families and survivors, who have made such great sacrifices to keep our country free and strong. Budget policy must treat veterans fairly in establishing priorities for Federal spending.

We recommend Function 700 totals of $33.13 billion in budget authority (BA) and $32.28 billion in outlays. These amounts are $1.32 billion in BA and $0.97 billion in outlays more than recommended in the President's

FY 1990 budget, as reestimated by the Congressional Budget Office (CBO). Our specific views are reflected in the enclosed report of our recommendations and the accompanying tables. The tables indicate for each account CBO's reestimate (to the extent available) of the amounts requested in the Administration's FY 1991 budget, the CBO baseline, the changes we are proposing (including legislation the Committee has reported or intends to report), and the differences between our recommendations and both the Administration request and the CBO baseline.

In making its recommendations, the Committee is concerned that it not appear to be micro-managing VA. Rather, the Committee believes that certain priorities need to be addressed, as described in the enclosed report.

DEPARTMENT OF VETERANS AFFAIRS

HEALTH-CARE ISSUES

Medical Care Account

The Administration's $12.24-billion request for the Medical Care account for the coming fiscal year is an 8.1-percent increase of $913 million over the funding level available for the current fiscal year. It is the best VA Medical Care account request submitted by a President in over a decade, and the Committee congratulates Secretary of Veterans Affairs Edward J. Derwinski for his successful efforts in promoting that request and the President for submitting it.

The request would allow restoration of 2,337 full-time employee positions, including nearly 800 nursing positions. It includes welcome proposals to fund fully an anticipated 3.5-percent January 1991 pay raise; $70 million more for legislation to provide increases for VA doctors and nurses; $15 million to expand VA substance-abuse programs; $8.3 million for improved health-care quality assurance programs; and $4.3 million to increase the number of facilities using the unit-dose system to control ward drug stocks. These are all valuable and laudatory initiatives.

Despite these positive aspects of the Administration's FY 1991 Medical Care budget request, the Committee believes some important needs remain in several areas, including funding for veterans suffering from post-traumatic stress disorder (PTSD), for extended-care and geriatric programs, for innovative ambulatory care approaches to avoid institutionalization, for increased utilization of community nursing home care, for reducing the replacement-equipment backlog, which is projected to approach $800 million at the end of FY 1991, and for direct funding for AIDS care.

Additional funding under current law: To meet these and other funding needs in VA health-care programs under current law, the Committee recommends adding $336.8 million to the Administration appropriations request for the VA Medical Care account. To put this proposed add-on in context, last year our Committee recommended an addition to VA medical care funding, also not taking into account proposed legislation, of $1.1 billion.

Additional funding for new legislation: In addition, the Committee urges additional funding for health-care legislation that the Senate passed in 1989 in S. 13 ($55.1 million), for a more realistic cost of necessary reforms of nurse pay and physician and dentist special pay (an additional $36.6 million), and for other legislation that the Committee plans to report favorably this year ($29.5 million).

Need for FY 1990 Supplemental Appropriation

The generally positive Medical Care funding levels in the budget for FY 1991 highlights the critical need right now for supplemental funding for the current fiscal year. A total of 52 Senators -- including the undersigned members of the Committee -- joined in a February 27, 1990, bipartisan letter delivered directly to President Bush. These Senators urged that the President extend his commitment to VA health care by submitting a request for an FY 1990 supplemental appropriation of $252.4 million to restore the shortfall -- resulting from sequestration and a VA miscalculation in personnel costs -- that was not anticipated when he signed the FY 1990 VA, HUD, and Independent Agencies Appropriations Act into law on November 9, 1989. A copy of that letter is enclosed.

We believe that, without supplemental funding during this fiscal year for VA health care, tens of thousands of veterans will this year be denied the quality of care -- or be denied the care entirely -- they deserve. Without a supplemental appropriation, many veterans will not survive to gain the benefit of the President's fiscal 1991 request and others will grow sicker while effective and timely treatment is postponed.

At our February 23 budget hearing, the Committee heard compelling testimony from a panel of officials from VA health-care field facilities that the general fiscal situation in VA hospitals had not improved from the situation which our hearings a year ago revealed was one of fiscal crisis. This is because the FY 1990 add-on for VA medical care which Congress intended to be $808 million was reduced to $584 million, that reduction in FY 1990 add-on was the net result of the application to this account of one-half of the across-the-board 1.12-percent reduction applied to discretionary accounts in the VA-HUD Appropriations Act, the 0.43-percent reduction to fight substance abuse government-wide, sequestration ($158 million), and the addition of $50 million for substance abuse programs.

Medical and Prosthetic Research Accounts

The Administration's proposed 7-percent, $14.1-million cut in the Medical and Prosthetic Research account contrasts with the generally encouraging Administration request for Medical Care funding. Not only does VA research make a major contribution to our national effort to combat disease and disability, but it is vital to maintaining a high quality of health care for the individual veteran patient and attracting highly-qualified health and mental health professionals to VA by improving the atmosphere in which they work. We propose an add-on of $40 million in order to restore the FY 1988 program level and provide for some enhancement of VA research.

Construction Accounts

The FY 1991 request of just under $700 million for the Major Construction and Minor Construction accounts represents a 44-percent increase over the Administration's FY 1990 request of only $481 million. The Committee's recommendations for budget authority for these accounts include a modest $60-million add-on for top-rated projects passed over in the Administration budget process plus $240 million for emergency reconstruction of the Palo Alto VA Medical Center, severely damaged in last October's Loma Prieta earthquake. The earthquake left an intolerable situation at Palo Alto, as discussed in the enclosed report. Due to the unique emergency needs resulting from this Act of God, the Committee believes strongly that this emergency construction need should not interfere with other highly-ranked VA construction projects that are due for funding in FYs 1991 and 1992.

BENEFITS PROGRAMS AND ADMINISTRATION

Compensation Account

The Committee proposes adding $36 million for VA Agent Orange-exposure-related benefits under S. 1153, the Agent Orange compensation legislation that the Senate overwhelmingly passed on August 3, 1989, and again on October 4, 1989, as title VIII of S. 13. Our recommendation also includes an $11-million addition for the cost of legislation, soon to be introduced, which would -- based on the National Academy of Science's Committee on the Biological Effects of Ionizing Radiations December 1989 report on the Biological Effects of Ionizing Radiation (known as BEIR V) -- expand the provisions of law that establish a presumption of service-connection for certain diseases of veterans who were exposed to radiation from a nuclear detonation.

The Committee has reservations, to which VA has not yet responded, about the Administration's legislative proposal to cut off VA service-connected disability compensation payments for incompetent veterans who have no dependents. That legislative proposal has not yet been submitted to Congress, so its particulars and complexities have not been able to be evaluated adequately. Thus, we have not included in our recommendations the savings projected by CBO for this proposal ($150.1 million).

General Operating Expenses Account

Veterans Benefits Administration: We recommend an FY 1991 add-on of $21.3 million in BA and $19.3 million in outlays over the Administration's budget request for the Veterans Benefits Administration (VBA). The budget request for benefits administration proposes lower cutbacks than the Administration has proposed in recent years and provides a very beneficial $23.1-million increase in Automated Data Processing programs. However, the Committee believes that additional sums are necessary to restore VA's ability to process claims for benefits and provide services in a timely and effective manner and to administer its home loan guaranty program efficiently and cost-effectively.

Since FY 1981, VBA (formerly the Department of Veterans Benefits) staffing has been cut by 25 percent. As a result, VA has been unable to perform in accordance with reasonable standards for timeliness and quality in adjudicating veterans' claims for benefits and administering its program of vocational rehabilitation for service-connected disabled veterans. The benefits administration cuts throughout the 1980's also have contributed to the substantial financial problems now confronting the home loan guaranty program. For example, they have prevented VA from providing adequate levels of financial counseling to veterans in default on their VA-guaranteed loans. This has resulted in needlessly high numbers of those loans going into foreclosure, at great cost to the veterans who lose their homes and to VA.

The Administration's budget for FY 1991 proposes that VBA provide better service in FY 1991 with 266 fewer FTE. The Committee recommends restoring these proposed cuts and adding staffing to address the backlog of compensation claims, the very large caseloads of VA vocational rehabilitation counselors, the continuing high numbers of loan guaranty applications, foreclosures, and property acquisitions, and the projected increased Montgomery GI Bill applications.

Board of Veterans Appeals: The Committee also recommends an increase of $3 million in BA and $2.7 million in outlays and 60 FTE over the Administration's budget request in order to help the Board of Veterans Appeals decrease its response time from the current, unduly lengthy 210 days to the FY 1986 average of 135 days.

National Cemetery System. The Administration's budget request for the National Cemetery System (NCS) includes a most welcome increase of $6.5 million and 52 FTE over FY 1990 levels, but would leave unaddressed VA's $6.7-million equipment replacement backlog and certain other pressing needs. The Committee recommends an additional $14.4 million in BA and $12.9 million in outlays and 100 FTE for the NCS to reduce this backlog and otherwise help to restore VA's ability to maintain System cemeteries at historic levels of beauty and dignity.

Administration-Proposed Legislation Affecting the VA Loan Program

The Administration's FY 1991 VA budget includes four proposals for major changes in the VA home loan program. These VA home loan proposals, if enacted, would significantly undermine a 46-year-old program to which Congress overwhelmingly reconfirmed its commitment just three months ago in enacting the Veterans Home Loan Indemnity and Restructuring Act of 1989 (title III of Public Law 101-237). Thus, the Committee's recommendations do not include the savings of $139.4 million in BA and $190.8 million in outlays claimed in the Administration's budget as reestimated by CBO.

U.S. COURT OF VETERANS APPEALS

The new Court's FY 1991 budget requests $9 million and an average employment level of 99. Pursuant to section 4082(a) of title 38, United States Code, the Court's budget is submitted to the Congress without review by the Office of Management and Budget or other Executive Branch officials. The Committee has examined the Court's submission carefully and, although there is no prior year's record on which to base a comparison, the Committee believes that the proposed funding level is reasonable and appropriate to ensuring that the Court has sufficient resources to carry out its important mission.

DEPARTMENT OF LABOR VETERANS' EMPLOYMENT AND TRAINING SERVICE

The Committee recommendations with respect to Department of Labor-administered programs in Function 500 (Education, Training, Employment, and Social Services) include restoration of the $12.9 million necessary for the Department of Labor to meet the statutory funding levels for staffing in the Disabled Veterans' Outreach Program (DVOP) and for Local Veterans' Employment Representatives (LVERs) and of the $1.9 million necessary to continue the operational level already contracted for at the National Veterans Training Institute.

CONCLUSION

The Committee arrived at its recommendations only after thoroughly reviewing veterans' programs and considering possible savings that could be achieved without reversing the Congress' commitment to meet the country's obligations to our Nation's veterans and their survivors -- while recognizing that the costs of benefits and services for veterans is truly a part of the cost of the wars they fought to protect and preserve our way of life.

These views reflect the best judgment of the Committee on Veterans' Affairs as of this date. If we or the Committee staff can provide further assistance in your consideration of this report, please feel free to call upon us.

Also enclosed with this letter is a letter from Senators Murkowski, Simpson, and Thurmond expressing their Minority views on the Committee's report.

Warm personal regards,

Cordially,

Spark M. Matsunaga
Spark Matsunaga

Alan Cranston
Chairman

Dennis De Concini
Dennis DeConcini

George Mitchell
George J. Mitchell

Bob Graham
Bob Graham

Jay Rockefeller
John D. Rockefeller, IV

Arlen Specter
Arlen Specter FY91 budget

Jim Jeffords
James M. Jeffords

Enclosures

cc: Honorable Frank Murkowski
Honorable G. V. "Sonny" Montgomery
Honorable Bob Stump

REPORT OF SENATE COMMITTEE ON VETERANS' AFFAIRS' RECOMMENDATIONS FOR THE FISCAL YEAR 1991 BUDGET FOR VETERANS' PROGRAMS

FUNCTION 700 -- VETERANS BENEFITS AND SERVICES

Subfunction 701, Income security

Compensation Account:

LEGISLATION:

Administration and Committee Proposed:

Disability compensation and dependency and indemnity compensation (DIC) cost-of-living adjustment (COLA): The Committee plans to report legislation (section 101 of S. 2100, which is cosponsored by 10 of the 11 Committee members) to provide for an FY 1991 COLA at the same percentage as the FY 1991 COLA in Social Security and VA pension benefits, effective December 1, 1990, the same effective date as the Social Security/VA pension COLA. The Committee believes that providing annual COLAs for these benefits to ensure that their value is not eroded by inflation must be a top priority. CBO currently estimates that the COLA will be 4.1 percent. The Administration indicated in its budget that it will propose legislation to provide automatic annual COLAs in compensation benefits tied to the annual change in the Consumer Price Index. The Committee is opposed to such legislation.

Cost: No cost as compared to both the Administration budget as reestimated by CBO and the CBO baseline. Based on CBO's current estimate of the Social Security/VA pension COLA, the cost as compared to the cost of the program under current law would be $396 million in BA and $357.7 million in outlays.

Administration Proposed:

Limit on estates of incompetent veterans: The Administration proposes legislation to cut-off compensation payments to incompetent veterans having no "dependents" (generally defined as minor children, spouses, and dependent parents) when the veteran's assets reach $25,000 and resume payments when assets fall below $10,000. Although the purpose of the legislation is to prevent "remote" heirs from inheriting large estates enhanced by VA benefits, it would apply to those veterans who have brothers, sisters, non-dependent parents, or other relatives who have been sources of financial, emotional, or other support to the veteran. The Committee is awaiting Administration responses to a series of specific questions raised by the Chairman, and is not prepared to accept the measure at this time.

Cost: $150.1 million in BA and $138.1 million in outlays as compared with the savings claimed in the Administration budget (as reestimated by CBO).

Committee Proposed:

Agent Orange exposure compensation: On August 3, 1989 (S. 1153), and on October 3, 1989 (title VIII of S. 13), the Senate passed legislation which would compensate Vietnam veterans suffering from non-Hodgkin's lymphoma and soft-tissue sarcoma and their survivors. The Committee intends to press ahead for enactment of this legislation.

Cost: $36 million in BA and $33 million in outlays as compared to both the Administration budget (as reestimated by CBO) and the CBO baseline.

Radiation-exposed reservists: The Committee plans to report legislation (section 102 of S. 2100) which would expand the presumption of service-connection for radiation-exposed veterans to cover individuals who were serving on active duty for training or inactive duty for training during on-site participation at a nuclear weapons test. This group of veterans and their survivors were inadvertently excluded from the 1988 legislation establishing certain presumptions of service-connection for veterans who participated in the tests, the Radiation-Exposed Veterans' Compensation Act (Public Law 100-321).

Cost: $1 million in both BA and outlays as compared to both the Administration budget (as reestimated by CBO) and the CBO baseline.

Expansion of presumptions under Public Law 100-321: The Committee plans to report legislation to be introduced by Senator Cranston which would amend the Radiation-Exposed Veterans' Compensation Act of 1988 (Public Law 100-321) to eliminate the latency period limitations in current law and add cancers to the list of cancers presumed to be service-connected. The Committee believes that changes are justified on the basis of new scientific findings in the National Academy of Science's recently released BEIR V report (on the biological effects of ionizing radiation on humans) certain cancers have a significant association with ionizing radiation exposure and on the basis of the absence of scientific suggestion that these cancers are associated significantly with some other major cause.

Cost: $11 million in BA and $10.1 million in outlays as compared to both the Administration budget (as reestimated by CBO) and the CBO baseline.

Modification of offset of military retirement pay: On June 9, 1989, the Committee held hearings on legislation (Amendment 110 to S. 190) to modify the prohibition under current law on the concurrent receipt of military retirement pay and VA disability compensation. Amendment 110 was scheduled for markup on July 27, 1989, but was withdrawn from the agenda at the request of its sponsor. The Committee expresses no view at this time on the merits of Amendment 110, but has included the estimated Function 700 cost of this legislation -- $2 million in both BA and outlays -- in its recommendations in order to provide room for consideration of the legislation this year. CBO estimates that, in addition to the Function 700 costs, Amendment 110 would cost $340 million in BA and $190 in outlays in FY 1991 in other functions of the federal budget outside the Committee's jurisdiction (primarily Function 600 -- Income Security, which includes the Federal Employee Retirement, Military Retirement Trust Fund). The Committee on Armed Services shares jurisdiction over this legislation.

Cost: $2 million in BA and outlays as compared to both the Administration budget and the CBO baseline for Function 700 and $340 million in BA and $190 in outlays for other functions as compared to both the Administration budget and the CBO baseline.

Compensation account total cost: $12.02 billion in BA and $11.97 billion in outlays, which is $200.1 million in BA and $178.3 million in outlays over the Administration budget (as reestimated by CBO) and $50 million in BA and $40.2 million in outlays over the CBO baseline.

Pension Account:

LEGISLATION:

Administration and Committee Proposed:

IRS/SSA data matching: On October 3, 1989, the Senate passed in section 704 of S. 13, legislation to give VA access to certain IRS/SSA data for purposes of verifying income data reported by recipients of VA needs-based pension. This legislation would require that the administrative costs of implementing the provision be paid from the Compensation and Pension account. The Administration budget contains similar legislation which provides for those costs to be paid from the General Operating Expenses (GOE) account.

Cost: The same savings as those claimed in the Administration budget in terms of erroneous pension payments avoided ($46 million in BA and $37 million in outlays). Since the Committee's legislation provides for payment of the costs of implementation out of the Compensation and Pension account, the cost to this account would be $9 million in both BA and outlays as compared to the Administration request (as reestimated by CBO) -- with that same $9 million in costs included in the President's budget as reestimated in the GOE account. As compared to the CBO baseline, the net savings would be $37 million in BA and $28 million in outlays. (See GOE account.)

Administration Proposed:

Revise criteria for pension reduction: The Committee plans to report legislation based on Administration proposals to extend from 3 to 12 months the grace period during which no pension reduction is required in the case of a veteran admitted to a VA domiciliary or nursing home. This represents an equitable extension of a provision enacted in section 111 of Public Law 101-237 that eliminated the limitation on pension payments to VA-hospitalized veterans and extended from two to three months after the month of admission the period after which pension payments are reduced when a veteran is admitted to a VA domiciliary.

Cost: No cost as compared to the Administration budget (as reestimated by CBO) and $7.3 million in both BA and outlays as compared to the CBO baseline.

Pension account total cost: $3.85 billion in BA and $3.86 billion in outlays, which is $9 million in both BA and outlays over the Administration budget (as reestimated by CBO) and $29.7 million in BA and $20.7 million in outlays less than the CBO baseline.

Veterans Insurance and Indemnities Account:

LEGISLATION:

Committee Proposed:

Increase in amount of Veterans' Mortgage Life Insurance: Section 302 of S. 2100 would increase from $40,000 to $90,000 the maximum amount of Veterans' Mortgage Life Insurance (VMLI) available under section 806 of title 38 to veterans who have received a specially adapted housing grant under chapter 20 of title 38, which is available to veterans with certain service-connected disabilities rated permanently and totally disabling. According to the Department of Commerce, housing costs have risen 188 percent since 1976, when the maximum coverage was last increased -- from $30,000 to $40,000.

Cost: $2 million in both BA and outlays as compared to both the Administration budget (as reestimated by CBO) and the CBO baseline.

Supplemental Service Disabled Veterans' Insurance for totally disabled veterans: Section 301 of S. 2100 would increase from $10,000 to $20,000 the maximum amount of Service Disabled Veterans' Insurance (SDVI) available to those veterans who are eligible for a waiver of premiums due to total and permanent disability. The maximum amount of SDVI life insurance protection has not been raised since 1951 when the legislation creating the program was enacted. For many veterans with service-connected disabilities rated as totally disabling, SDVI represents an irreplaceable source of insurance coverage.

Cost: $1 million in both BA and outlays as compared to both the Administration budget (as reestimated by CBO) and the CBO baseline.

Veterans Insurance and Indemnities account total cost: $18.4 million in BA and $21.6 million in outlays, which is $3 million in BA and outlays over both the Administration budget (as reestimated by CBO) and the CBO baseline.

Subfunction 702, Veterans Education, Training, and Rehabilitation

Readjustment Benefits Account:

The Committee is concerned that the Administration budget request did not contain a proposal to increase the basic benefits paid under the Montgomery GI Bill. The basic benefits have not been increased since the MGIB was enacted in 1984, and significant increases in education costs since that time have eroded the value of the benefit. The Committee strongly urges the Administration to include in its FY 1992 budget an increase in basic MGIB benefits.

Subfunction 703, Hospital and Medical Care for Veterans

Medical Care Account:

The Committee is generally pleased with the President's FY 1991 request of $12.24 billion for the Medical Care account, an 8.1-percent increase over the amount appropriated and available in FY 1990 and the best VA medical care budget request from a President in over a decade. However, even this request would not fully restore the activities curtailed by cuts that have been made to the VA health-care system in recent years or fully meet the high-priority health-care needs of our Nation's veterans who seek VA care. In order to help further restore the VA health-care system's ability to furnish high quality care and to respond to veterans' needs, the Committee recommends an additional $499.7 in BA and $432.0 million in outlays and 2,151 in FTE over the Administration budget request (as reestimated by CBO) -- of which $336.8 million in BA and 1,627 FTE are for programs under current law and the remainder is for legislation which has already been passed by the Senate or which the Committee expects to report favorably -- for the purposes described below.

AIDS care (in lieu of diverting funds): VA currently treats almost 7 percent of the AIDS patients in the nation. The VA budget documents highlight an additional $50 million for AIDS treatment (from $165 million in FY 1990 to $215 million in FY 1991). However, this represents a shift from other medical care resources, rather than a request for new funding to support the anticipated increased workload to care for patients with AIDS. The Committee recommends direct funding of the additional AIDS care costs rather than relying on VA facilities' producing the necessary resources through cutbacks in care to other veterans. The "Fiscal Year 1991 Independent Budget for Veterans Affairs", prepared by four veterans' organizations -- the AMVETS, the Disabled American Veterans, the Paralyzed Veterans of America, and the Veterans of Foreign Wars -- (the " Independent Budget"; page 68) recommends as $60-million increase for AIDS in FY 1991. (Add 550 FTE.)

Cost: $50 million in BA and $43 million in outlays as compared to the Administration budget.

Restore community nursing home care: VA has cut back sharply on the number and duration of community nursing home placements over the last few years in order to divert funds to other activities. At the Committee's February 23, 1990, budget hearing, VA's Chief Medical Director (CMD) and VA field witnesses testified that the duration of community nursing home placements generally has been reduced -- generally from 6 to 3 months, according to the field witnesses -- as a result of funding constraints. Also, despite the growing number of elderly veterans, the CMD and field witnesses testified that VA is able to make community nursing home care available to fewer veterans than in FY 1988. The Committee recommends funding to restore the community nursing home care program to its FY 1988 level.

Cost: $96 million in BA and $82.6 million in outlays as compared to the Administration budget.

Replacement equipment: The Committee recommends an add-on to reduce the huge and still-growing backlog in VA medical replacement equipment -- currently over $500 million even after the infusion of $50 million at the end of FY 1989 from the FY 1989 supplemental. Over the last few years, VA medical center directors have felt it necessary to use equipment funds for personnel costs and medical center daily operating expenses. At the Committee's February 23 hearing, the CMD stated that the equipment backlog "has not been improved this year compared to last year. In fact, the documented backlog is slightly greater this year than last year." The increasing amount of old equipment that cannot be replaced within current funding levels will widen the many gaps in the care VA can provide. VA requests $113.2 million for the replacement equipment account for FY 1991, a $5-million decrease from the amount available in the current fiscal year. Under the Administration request, the equipment backlog is projected to reach $791 million by the end of FY 1991.

Cost: $100 million in BA and $86 million in outlays as compared to the Administration budget.

Geriatric and extended care: The Committee recommends funding to restore and expand Geriatric Evaluation Units (GEUs), Hospital-Based Home Care (HBHC), and Geriatric Research, Education, and Clinical Centers (GRECCs), all of which are innovative programs for furnishing care to elderly veterans. As of September 1988, 6.6 million veterans were over age 65, and this number is predicted to increase to 8.5 million by 1995 and to peak at 8.9 million in the year 2000.

GEUs are three-person teams, consisting of a physician, a nurse, and a social worker, which examine and assess the treatment needs of elderly patients. There are currently 87 GEUs; however, due to budget constraints, a significant number are not fully functional. A new GEU costs approximately $100,000. The Independent Budget (page 71), noting that "(c)ontrolled studies show that GEUs often more than pay for themselves by reducing patient institutionalization", recommends establishing a GEU at each VA medical center. The Committee recommends adding $3.2

million (65 FTE) to maintain and enhance the existing 87 GEUs and to add 10 new ones.

HBHC is an innovative program which provides health care to veterans in their homes rather than keeping them in an inpatient setting. The Independent Budget (on page 70) strongly supports this program as well, recommending (as with GEUs) that an HBHC program be established at every VA medical center. There are currently 72 HBHC programs; however, they have also been hard hit by recent budget constraints. A new HBHC costs approximately $400,000, depending on the type of staff employed (registered nurses versus licensed practical nurses, for example). The Committee recommends adding $4 million (59 FTE) to augment the existing 72 HBHC programs and to add 8 new ones.

GRECCs are settings for integrated clinical care, education, and research for and concerning older veterans. Currently, there are 12 VA GRECCs in existence. A new GRECC entails about $2.4 million in start-up costs, which pays for 12 FTE, equipment, renovations, and education. The Committee recommends $4.8 million (24 FTE) to create two new GRECCs. (Add 148 FTE in total.)

Cost: $12 million in BA and 10.3 million in outlays as compared to the Administration budget.

Restore "resource redirection" cut: The VA budget documents highlight four new VA initiatives -- relating to drug treatment, compensated work therapy, quality assurance, and unit dose -- planned for FY 1991. However, rather than request the additional funding necessary for these very worthwhile program enhancements, the Administration proposes to pay for them through "resource redirection", i.e., a $28.1-million cut in other existing services. The Committee strongly supports these four new initiatives but considers reducing other VA health-care services by a corresponding amount to be arbitrary and imprudent -- particularly because VA has advised that a significant portion of the redirected money would be drawn from VA inpatient psychiatric programs which are already thinly staffed and greatly underfunded by VA. (Add 531 FTE.)

Cost: $28.1 million in BA and $24.2 million in outlays as compared to the Administration budget.

Post-traumatic stress disorder (PTSD) care: Provide funding to expand treatment services for Vietnam and other veterans with service-related PTSD. VA's budget request contains no increase in funding for PTSD treatment activities despite the finding of VA's RTI study that 479,000 male Vietnam veterans currently have full-blown cases of PTSD, while another 350,000 Vietnam veterans have PTSD symptoms that warrant care. VA's existing inpatient PTSD units continue to be routinely plagued by long waiting lists -- as long as 2 years -- and the distribution of specialized resources is uneven. For FY 1991, the Committee recommends increased funding of $11 million to be distributed for 25 new PTSD clinical treatment teams (50 FTE, $6.25 million); 3 new inpatient PTSD units (33 FTE, $1.79 million); the National Center on PTSD -- for treatment, education, and research activities, including the study of minority populations -- (8 FTE, $1 million); and augmentation of existing inpatient PTSD units to decrease waiting lists (50 FTE, $1.96 million).

Cost: $11 million in BA and $9.5 million in outlays as compared to the Administration budget.

Readjustment counseling program inflation adjustment: Provide funding for the readjustment counseling program to account for inflation, based on a 2.9-percent inflation rate, in order to allow the program to maintain its current level of services in the face of increased demand and the large unmet need. Lacking an increase for inflation or normal salary increases, the FY 1991 budget request for readjustment counseling will result in a decrease in program resources, and the program will be forced to meet inflationary costs by using funds allocated for travel and fee counseling, both of which have undergone cuts in recent years. This situation will be much to the detriment of the program's operation and the veterans served by it.

Cost: $1.4 million in BA and $1.2 million in outlays as compared to the Administration budget.

Homeless chronically mentally ill veterans program (HCMI): Provide a funding increase of $5 million (46 FTE) to enhance those of the 43 existing HCMI sites which currently have only 2 FTEs devoted to outreach and counseling and need additional personal outreach and contact activities, and to expand the program to areas with demonstrated needs. VA's request for FY 1991 includes no additional resources for the program, despite the growing problem of homelessness and the relatively small scale of this program.

Cost: $5 million in BA and $4.3 million in outlays as compared with both the Administration budget and the CBO baseline.

Homeless veterans with AIDS: Provide funding for a pilot program to focus resources on the special needs of homeless veterans with AIDS. The third annual report of the VA's homeless chronically mentally ill program noted that significant numbers of homeless veterans are HIV-positive and that they have special needs for housing, counseling services, and health-care services. VA is currently not well-equipped to meet the needs of this group of veterans, and the FY 1991 Administration budget includes no funds for addressing the serious needs of this special population. (This proposal may take the form of a legislative initiative.)

Cost: $5 million in BA and $4.3 million in outlays as compared to the Administration budget.

Orthotics laboratories: Provide funding to establish orthotics laboratories at the eight VA medical centers -- Newington, CT; Baltimore, MD; Augusta, GA; Dayton, OH; El Paso, TX; Phoenix, AZ; Indianapolis, IN; and West Palm Beach, FL -- that meet VA's criteria for having such a lab (8 FTE, $987,000) and $13,000 to support costs associated with prosthetics budgeting initiatives. VA, in response to pre-hearing budget questions, identified the eight medical centers as needing orthotics laboratories. A March 1988 VA report, entitled "Analysis of VA Orthotic Laboratories," determined that VA-fabricated appliances were significantly less costly on the average than commercially-produced appliances and, on that basis, recommended that VA explore the possibility of expanding VA orthotic services.

Cost: $1 million in BA and $860,000 in outlays as compared with the Administration budget.

Decentralized Hospital Computer Program (DHCP): The Committee recommends funding to (1) restore the proposed FTE reduction attributed by the Administration to "savings" resulting from the installation of an automated data processing (ADP) system, and (2) implement a functional ADP security system. The total recommendation is premised on the following assumptions:

Restore proposed computer-implementation cut. The Administration proposes a decrease of 105 FTE related to a projected decline in the time required of application coordinators in support of various computer program applications. Slippage that has occurred in ADP implementation, however, makes these staffing reductions premature in FY 1991. (Add 105 FTE.)

Create a functional ADP security system. Although the Computer Security Act of 1987 (Public Law 100-235) requires Federal departments and agencies to establish and administer functional ADP security systems, no funds have been appropriated to VA for this purpose. Further, the Comptroller General's July 1987 report, entitled "Hospital ADP Systems: VA Needs to Better Manage Its Decentralized System Before Expansion", found that VA did not appropriately meet requirements for risk analysis and contingency planning in its ADP security system. The potential consequences of providing insufficient resources for ADP security are considerable. VA internal analyses have found that it is less costly to prevent security incidents than to repair the damage caused by them in its large and vulnerable health-care system, which spans over 450 sites and has a workforce of 200,000 employees and more than 150,000 trainees and volunteers per year. In addition, DHCP system provides access to 800 minicomputers, 40,000 terminals, and 20,000 printers linked in a national network of hospitals which daily generate sensitive data on patients and other data for national data bases. The shift to advanced automated systems -- with thousands of work stations -- has changed the dynamics of control from that used in previous manual systems.

A complete staffing of full-time ADP security officers in the VA health-care system and a national team of technical advisors and incident investigators to comply with Federal law would require approximately 196 FTE and cost nearly $40 million. The Committee recommends that half of the statutorily required ADP security system be implemented in FY 1991 and that the balance be funded in FY 1992. (Add 98 FTE).

Cost: $24.3 million in BA and $20.9 million in outlays as compared with the Administration budget.

Integrated Hospital System (IHS): Two additional sites at tertiary hospitals were initiated with FY 1990 partial-year funding as part of an ongoing IHS test station system designed to track changes in technology offered by commercial vendors. This project was directed in the Joint Explanatory Statement accompanying the FY 1988 Continuing Resolution (H. Rept. No. 100-498, p. 865). The vendor bids subsequently received indicate the need to supplement the $5.9 million appropriated in FY 1990 to achieve full funding through FY 1991.

Cost: $3.0 million in BA and $2.6 million in outlays as compared with the Administration budget.

LEGISLATION:

Administration Proposed:

Dental-care eligibility revisions: The Administration is proposing a number of changes in eligibility for VA dental care which it describes as: (1) raising from $500 to $1,000 the dollar limit for any fee-basis dental treatment before a second examination is required to determine the need for the treatment; (2) permitting VA to furnish dental treatment to veterans who are currently active in VA treatment but have no direct entitlement to dental care; (3) permitting VA to provide limited outpatient dental treatment to veterans placed in a pre-bed program prior to hospitalization; (4) authorizing outpatient dental care to veterans of World War I; (5) repealing the requirement that an ex-POW must have been held for at least 90 days in order to be entitled to outpatient dental care; and (6) authorizing the provision of oral health care to veterans receiving VA Hospital-Based Home Care. The Committee is not prepared to reach a conclusion as to all of these eligibility revisions at this time (except for items (1) and (3), which the Committee reported and the Senate passed on October 3, 1989, in S. 13). If they are enacted, the Committee anticipates that there would be room for the $5.5-million cost as a result of the likelihood that the House will not agree to all provisions of S. 13 for which funding is recommended in the discussion of that measure, below.

Cost: Savings of $5.5 million in both BA and outlays as compared to the Administration budget.

Child-care centers: The Administration is proposing legislation to permit VA to make direct renovations (rather than through the Canteen Service) at 10 child-care centers in FY 1991 (at a cost of $1.2 million) and a total of 50 by FY 1995. The Committee recommends accepting this proposal.

Cost: No change from the Administration budget.

Nurse pay reform: The Administration is proposing legislation to revise the title 38 nurse pay system. The Senate and the House have each passed nurse pay reform provisions (in S. 13 and H.R. 1199, respectively) and are currently working to develop a compromise agreement. The Committee, therefore, recommends funding for the expected compromise agreement rather than VA's proposal -- with the same level of funding requested by VA for its not-yet-submitted legislative proposal.

Cost: Savings of $31.4 million in both BA and outlays as compared to the Administration's budget, but the savings here would be negated by the funding proposal for the Committee-recommended nurse pay reform measure discussed below.

Saturday premium pay for nursing assistants: The Administration is proposing legislation to authorize Saturday premium pay for nursing assistants, as is already provided for nurses and licensed practical nurses, where the Secretary determines it to be necessary to obtain or retain the services of employees in these positions. The Senate has already passed legislation which subsumes this proposal, in section 256 of S. 13, and the Committee recommends the funding for this proposal in conjuction with S. 13 rather than VA's proposal.

Cost: Savings of $1.1 million in BA and $1 million in outlays as compared to the Administration budget, but the savings here would be negated by the funding proposal for the Committee-recommended legislation providing for Saturday premium pay and other pay enhancements for nursing assistants and other scarce health-care professionals, discussed below.

Physicians and dentists special pay: The Administration is proposing legislation to increase the amount of special pay for VA physicians and dentists, based on the findings in the yet-to-be-released 1988 Quadrennial Report to the President on the Adequacy of Special Pay for Physicians and Dentists. The Committee intends to develop comparable legislation and recommends funding for that legislation rather than VA's proposal.

Cost: Savings of $38.6 million in both BA in outlays as compared to the Administration budget, but the savings would be more than offset by the funding proposal for the Committee-recommended physician/dentist special pay legislation, discussed below.

Transfer of funds and FTE into new billing account: The Administration is proposing (in conjuction with a legislative initiative described in "Third Party Medical Recoveries", below) to transfer recurring collection-related resources ($18.6 million and 500 FTE) from the Medical Care account to a proposed Third Party Medical Recoveries account which will pay the administrative cost of billing and collecting amounts due from third parties for the cost of care provided to certain veterans. The Committee recommends proceeding with this provision at this time, pending further consideration of the feasibility of the legislative provisions for contracting out billing and collections as passed by the Senate in section 225 of S. 13.

Cost: No change from the Administration budget.

Increase co-payments: The Administration is proposing legislation to require all Category B and C veterans to make a copayment for care at VA facilities ($5-$10 per outpatient visit; $3-$5 per outpatient prescription; $9 per diem for inpatient care). CBO estimates that this proposal would reduce VA health-care utilization by $48.3 million in FY 1991. The Committee recommends rejecting the co-payment proposal and consequent savings, as it has done in prior years (see also the discussion of this subject under "Reimbursements for Medical Care", below).

Cost: $48.3 million in both BA and outlays as compared to the savings that CBO estimates would result from this legislation.

Committee Proposed:

Nurse pay reform: Nurse pay reform provisions in section 251 of S. 13 were passed by the Senate on October 3, 1989, and would enhance VA's ability to deal effectively with the very serious problems it is encountering in recruiting and retaining qualified nurses and certain other health-care professionals.

Cost: $31.4 million in both BA and outlays as compared to the Administration budget, but, when the savings in this same amount in connection with the Administration-proposed nurse pay reform legislation are taken into account, the Committee's funding recommendation is the same as the Administration's.

Other major provisions of Senate-passed S. 13 pending in negotiations with the House Veterans' Affairs Committee: The major remaining S. 13 provisions pending in negotiations with the House Committee on Veterans' Affairs include, among others, section 201, relating to care for post-traumatic stress disorder, and section 204, relating to establishing a program of mental illness research, education, and clinical centers (MIRECCs), and a variety of health-care personnel recruitment and retention enhancement initiatives. (Add 489 FTE.)

Cost: $55.1 million in BA and $40 million in outlays as compared to the Administration budget.

Mobile health-care clinics: Section 201 of S. 2100, which is cosponsored by 10 of the 11 members of the Committee, would extend for one year, through September 30, 1991, the authorization of mobile health-care clinics in order to complete the 2-year pilot program, which was designed to explore better ways to provide care to veterans living in rural areas. Public Law 100-322, enacted on May 20, 1988, required VA to implement a 2-year pilot program of mobile health-care clinics. No funds were appropriated for this program in FY 1989, but $3 million was appropriated for it in FY 1990. (Add 35 FTE.)

Cost: $5 million in BA and $3 million in outlays as compared to the Administration budget.

Home health services: Section 203 of S. 2100 would increase the maximum limitations on home health services. These limitations have not been increased since 1976, a period during which the Comsumer Price Index has more than doubled.

Cost: $17.5 million in BA and $15 million in outlays (half the first-year costs, based on a delayed effective date) as compared to the Administration budget.

Physicians and dentists special pay: The Committee will soon consider legislation, to be introduced by Senator Cranston, to increase and otherwise modify special pay for VA physicians and dentists, taking into account the recommendations of the yet-to-be-released 1988 Quadrennial Report to the President on the Adequacy of Special Pay for Physicians and Dentists. As mentioned previously, the Administration budget includes $38.6 million for legislation to increase special pay for VA physicians and dentists. The VA Task Force recommended pay reforms which would cost an estimated $100.2 million in the first year. However, in line with a recommendation by the Task Force and legislation passed by the Senate on October 3, 1989, in section 268 of S.13, VA has acted administratively to rescind the so-called "Nimmo cap" on special pay, at a cost of $25 million annually; the cost of implementing the Task Force's other recommendations is thus $75.2 million. The final Quadrennial Report report remains at OMB, and VA has indicated that the Committee should have its proposed legislation by mid-March. The Committee's legislation, in line with the cost projected in the Task Force's recommendations, is expected to cost approximately $36.6 million more than VA's budget proposal.

Cost: $75.2 million in both BA and outlays as compared to the Administration budget, but, when this amount is offset by the $38.6 million in BA and outlays associated with the Administration's proposed physician/dentist pay reform proposal, the net difference is $36.6 million in both BA and outlays.

Prosthetic devices and other medical items: Section 202 of S. 2100 would give VA the authority to provide veterans who are receiving non-service-connected outpatient care with wheelchairs, prosthetic devices, special clothing for users of prostheses, and certain other supplies and services if the provision of such items would obviate the need for hospitalization. Expanding VA's authority to provide needed medical items to obviate the need for hospital admission would allow VA to furnish more efficient, up-to-date care and corresponds with the very strong trend in modern health care toward furnishing care on an outpatient basis whenever possible.

Cost: $7 million in BA and $6 million in outlays as compared to the Administration budget.

Medical Care account total cost: $12.738 billion in BA and $12.716 billion in outlays, which is $499.7 million in BA and $432.0 million in outlays above the Administration budget (as reestimated by CBO) and $697.4 million in BA and $602.8 million above the CBO baseline.

Need for an FY 1990 Supplemental Appropriation for the Medical Care Account:

The Committee proposes a $252.4-million supplemental in FY 1990 to restore the shortfall (resulting from sequestration and a VA miscalculation in personnel costs) that was not anticipated when the FY 1990 VA, HUD, and Independent Agencies Appropriations Act was enacted on November 9, 1989 (Public Law 101-144). Over the last few years, the VA health-care system has been experiencing serious instability, lapses in quality, and significant cutbacks as a result of the start-and-stop funding it has been receiving. Many VA medical centers have been forced to cut back on staff, close beds or even entire wards, shut down innovative and effective programs (for example, those for drug and alcohol treatment and hospital-based home care), curtail community nursing home placements, postpone activations of completed facilities, and delay -- often for dangerously long time periods -- vital equipment repairs and purchases. Not all hospitals have been affected in the same way; some were in a crisis situation in FY 1989 while others began being seriously stretched this past fall. All facilities are experiencing major backlogs in replacement and repair of critical life-saving or life-extending equipment. Most recently, at the Committee's February 23 hearing, VA's Chief Medical Director indicated that "the budget in the hospital system now is approximately at the same level we were a year ago", at which time the fiscal condition of the VA health-care system was consistently characterized as a crisis at Committee hearings. In addition, VA field witnesses at the February 23 hearing also noted specific funding shortfalls at their facilities. A bipartisan letter signed by 41 Senators was sent to President Bush on December 22, 1989, and a bipartisan letter signed by 52 Senators was delivered to President Bush on February 27, 1990, urging the submission of an FY 1990 supplemental.

Cost: $252.4 million in BA and $217.1 million in outlays as compared to the current FY 1990 funding level.

Medical and Prosthetic Research Account:

Restoration of funding/program improvements: The Administration budget proposes only $198.5 million for the Medical and Prosthetic Research account, a decrease of $14.1 million (6.6-percent) from the amount available in FY 1990. The percentage of meritorious projects which receive funding has dropped from an average 82.3 percent in FYs 1984 through 1986 to an estimated 45.3 percent in FY 1990. VA's research program improves direct patient care in the short run and is integral to the recruitment and retention of high-quality physicians. As Dr. Thomas Horvath, a psychiatrist and Chief of Staff at the Brooklyn VA Medical Center, stated at the Committee's February 23 budget hearing, "the adequacy of research funding is critical. If you have adequate research funding, people will forego the extra salary." The Friends of VA Medical Care and Health Research coalition convincingly argues that VA has overestimated the funds its researchers will receive from NIH and other non-VA sources and recommends a research budget of $268 million for FY 1991, which, it contends, would return VA research to its FY 1985 program level. The Independent Budget recommends a level of $255 million. The Committee believes it would be extremely unwise to reduce the VA research program in the face of the current great difficulties in recruiting and retaining VA physicians and just as the Secretary has announced the establishment of a Blue Ribbon Panel to evaluate the future of VA research. Thus, the Committee recommends an add-on to restore and enhance VA's research program. (Add 700 FTE.)

Cost: $40 million in BA and $30 million in outlays as compared to the Administration budget.

Medical and Prosthetic Research account total: $238.5 million in BA and $228.8 million in outlays, which is $40 million in BA and $30 million in outlays over the Administration budget (as reestimated by CBO) and $12.1 million more in BA and $9.1 million more in outlays than the CBO baseline.

Medical Administration and Miscellaneous Operating Expenses Account:

Restore FY 1989 level of services: The MAMOE account -- which funds the administration and supervision of all VHS&RA elements by the CMD and VA Central Office staff as well as the Health Professionals Scholarship Program -- has been undergoing a steady erosion over the past several years and was additionally and seriously cut during FY 1990. The $45.4 million in this account in the current fiscal year is $2.5 million less than the $47.9 million that was available in FY 1989. The Committee recommends funding sufficient to restore support for medical administration to the FY 1989 programmatic level. (Add 72 FTE.)

Cost: $5.8 million in BA and 4.2 million in outlays as compared to the Administration budget.

Prosthetics (site-visit evaluations and budget model development): Provide funding for (1) VA Central Office to conduct site-visit evaluations of medical center prosthetics activities on a 5-year cycle, prioritizing the visits based on size of the prosthetics budget and situations where problems are known to exist (35 visits in FY 1991 @ $1000 per visit); and (2) VA to assess the size and needs of its prosthetics target population so that a budget forecasting model can be developed (1 FTE, $65,000). Currently, VA is unsure how many site visits will be funded in FY 1991. However, during each of the last three fiscal years, VA Central Office has made only an average of four site visits to evaluate medical center prosthetic activities. At that rate, VA would need over 40 years to visit all 172 medical centers. This is an unacceptably long cycle for reviewing field facility performance, particularly for a program vulnerable to fraud or abuse and where waste, based on Committee investigative work, may well be occurring.

Cost: $100,000 in BA and $72,000 in outlays as compared with the Administration budget.

Medical Administration and Miscellaneous Operating Expenses account total: $53.6 million in BA and $51.6 million in outlays, which is $5.9 million in BA and $4.2 million in outlays over the Administration budget (as reestimated by CBO) and $5.3 million in BA and $3.8 in outlays over the CBO baseline.

Major Construction Account:

Construction program increase: Provide additional funding of $60 million to enable VA to proceed with selected projects from among the six projects near the top of VA's prioritization methodology that were passed over in the budget request (Lake City, FL (nursing home, $9 million); Augusta, GA (spinal cord injury expansion, $24.1 million); Marion, IN (geropsychiatric facility, $39.1 million); Brooklyn, NY (outpatient clinic replacement, $41 million); Northport, NY (psychiatric and outpatient clinic modernization, $40.5 million); Knoxville, TN (laundry replacement, $6.1 million)) and one, additional, unspecified, high-priority nursing home project.

The percentage of veterans 65 years of age or older is expected to increase more than 50 percent by the year 2000. This demographic change has created a fast-growing demand on VA for new nursing-home-care units. The funding for facility-improvement projects is necessary to maintain a regular schedule of capital modernization, clinical improvements, and patient safety modifications. Without these improvements, many VA medical facilities -- more than half of which are over 30 years old -- will become outdated and eventually require the greater expense of total replacement.

Cost: $60 million in BA and $2.7 million in outlays as compared with the Administration budget.

Emergency replacement of Palo Alto VA Medical Center (VAMC): As a consequence of last October's Loma Prieta earthquake, 250 beds at the Palo Alto VAMC were rendered seismically unsafe, were evacuated, and must be replaced. Patients transferred from these beds are living and being treated in terrible conditions, occupying makeshift space which does not meet privacy, safety, or space requirements. Clinical, administrative, laboratory, and radiology work are being performed in vastly overcrowded spaces, and research activities are at a virtual standstill. The effects of the disaster also pose a grave threat to staff morale and the facility's vital affiliation with the Stanford University Medical School.

The President recognized the importance of the Palo Alto VAMC and the need for immediate work at the medical center by allocating $41.2 million in emergency funding from the Unanticipated Needs for Natural Disasters Account on January 18, 1990. Today, the uniquely urgent needs resulting from this Act of God require that Congress take swift action to accomplish the major construction necessary at the Palo Alto facility without displacing VA medical construction projects already highly rated and identified for forwarding under VA's established prioritization methodology. The exigent situation in California thus warrants a special solution that will not delay the scheduled plans for needed construction elsewhere throughout the VA system.

Cost: $240 million in BA and $10.8 million in outlays as compared with the Administration budget.

Major Construction account total: $830 million in BA and $543.5 million in outlays, which is $300 million in BA and $13.5 million in outlays over the Administration's budget (as reestimated by CBO) and $405.1 million in BA and $18.3 million in outlays over the CBO baseline.

Minor Construction Account:

Conversion to nursing home beds: The Committee recommends funding for the conversion of 1,000 hospital beds to nursing home care beds. VA has projected the conversion of hospital beds to nursing home beds for the past few fiscal years: including 1,000 beds in FY 1989 and 1,800 beds more beds in FY 1990. However, few of the projected conversions have actually been carried out.

Cost: $30 million in BA and $7.9 million in outlays as compared to the Administration budget.

Minor Construction account total: $175.6 million in BA and $131.6 million in outlays, which is $30 million in BA and $7.9 million in outlays over the Administration budget and $77.6 million in BA and $20.3 million in outlays over the CBO baseline.

State Home Construction Grant Account:

Funding for approved projects: The Committee recommends funding sufficient to cover approved projects that cannot be funded under the Administration's FY 1991 $42-million budget request.

This matching-grant program has been funded in the $40-$42 million range for the past 4 fiscal years. It is the most cost-effective way to expand extended care for veterans.

Cost: $16.6 million in BA and no outlays as compared to the Administration budget.

State Home Construction Grant account total: $58.6 million in BA and $40.8 million in outlays, which is $16.6 million in BA and nothing in outlays over the Administration budget and $15.6 million in BA and nothing in outlays over the CBO baseline.

Third-Party Medical Recoveries Account:

The Committee generally accepts the concept proposed in the Administration budget of establishing an account -- called the Third Party Medical Recoveries account -- to fund VA's costs of recovering third-party reimbursements, with the funding for such costs eventually deriving from VA's retaining in this account collections sufficient to cover those costs and depositing the rest in the Treasury as general receipts. To establish the account initially, the Administration proposes that $18.6 million and 500 FTE (the number currently estimated to be engaged in these activities) be transferred from the Medical Care account to the new account and that an additional 300 FTE be employed to carry out billing and collection activities and paid out of $6.4 million of the anticipated collections. In future years, as indicated above, all employees engaged in third-party billings and collections would be paid out of collections retained in the new account.

The Committee notes, however, that it continues to support the approach -- reflected in a provision adopted by the Senate on October 3, 1989, in the Committee amendment adding section 225 to S. 13 -- of requiring VA to contract out, to the maximum extent feasible, the billing and collection activities. In response to a pre-hearing question from Senator Cranston in connection with the Committee's February 23 budget hearing, VA stated that the only such activities that it would not be feasible to contract out would be the interpretation of applicable Federal laws by its General Counsel's office attorneys and that certain aspects of the development of billings might be better done by a contractor's employees. However, a preliminary informal CBO estimate of the costs of contracting out places the cost of doing so at 30 percent of the amount of the collections and does not attribute any increase in collections to contracting out. Given the cost implications of this approach, the Committee does not at present wish to base a budget recommendation on it, and, instead, is adopting VA's in-house concept for this purpose. The Committee plans to continue exploring the costing and other issues relating to the contract approach in order to find a way (considered cost-effective or at least cost-neutral by CBO) for VA to devote its employees to medical-care activities rather than billing and collections.

Cost: No cost as compared to the Administration budget; $25 million in both BA and outlays as compared to the CBO baseline.

Third Party Medical Recoveries account total: $25 million in both BA and outlays, which is the same as the Administration budget and $25 million in both BA and outlays over the CBO baseline.

Reimbursements for Medical Care Account:

The Committee does not agree with the Administration's proposals to (1) provide for third-party reimbursements to VA for all non-service-connected care furnished to veterans who have service-connected disabilities, and (2) as already noted above, increase co-payments for all category B and C veterans ($5-$10 per outpatient visit; $3-$5 per outpatient prescription; $9 per diem for inpatient care).

With respect to expanding third-party reimbursements, the Committee supports -- as it did in the legislation contained in a Committee amendment adding section 225 to S. 13 as passed by the Senate on October 3, 1989 -- expanding non-service-connected-care reimbursements only in the cases of those with service-connected disabilities rated at 20 percent or less. In the cases of those with ratings of 30 percent or more, the Committee believes the process of distinguishing unrelated conditions could well be fraught with opportunities for extended and costly medical debate. Since many seemingly separate conditions are physiologically interdependent, these problems are likely to be exacerbated in the case of veterans with higher disability ratings. In addition, the Committee has not yet received a satisfactory VA response to concerns raised by insurers that not only does VA billing staff need access to medical and disability rating records but insurance companies also need such access in order for them to verify billing decisions regarding VA-alleged non-service-connected-condition care. Such a requirement would also involve sloughing off onto the private sector substantial costs for the care of severely disabled service-connected veterans -- specifically those with disabilities rated at 50-percent or more -- for whom the Federal Government has a statutory obligation to provide comprehensive care.

Cost: $81.9 million in both BA and outlays as compared to the Administration budget (as reestimated by CBO); and savings of $33 million in BA and outlays as compared to the CBO baseline.

Reimbursements for Medical Care account total: Savings of $206.1 million in both BA and outlays, which is $81.9 million in both BA and outlays less savings than under the Administration budget (are reestimated by CBO) and $33 million in both BA and outlays more savings than under the CBO baseline.

Subfunction 704, Veterans Housing

Guaranty and Indemnity Fund:

LEGISLATION:

Administration Proposed:

Increase loan fees and eliminate exemptions: The Committee does not accept the Administration's proposals to increase from 1.25-percent to 1.75-percent the fee for VA-guaranteed loans and to eliminate the fee exemption for survivors of veterans who die of a service-connected condition or for veterans rated less than 30-percent disabled. In Public Law 101-237, Congress increased by 25 percent the loan fee (from 1.0 percent to 1.25 percent of the loan amount) only in exchange for providing for indemnification of veterans against foreclosure debts to VA and in connection with providing for regular government contributions to improve the solvency of the program. The Administration has not provided sufficient justification for this dramatic 40-percent increase in the fee proposed less than a month after the effective date of Congress' major revisions to improve the program's solvency. The Committee notes that CBO has estimated that the Guaranty and Indemnity Fund under the new program will remain solvent -- with the current 1.25-percent fee -- through this decade.

Cost: Savings of $4 million in BA and a cost of $91.7 million in outlays as compared to the savings claimed in the Administration budget (as reestimated by CBO) and no cost as compared to the CBO baseline.

Four-percent downpayment on loan amounts over $25,000: The Committee does not accept the Administration's proposal to require a 4-percent downpayment on VA-guaranteed loan amounts over $25,000. The Committee reported legislation in S. 13 last year -- and supports the resulting legislation enacted in Public Law 101-327 -- encouraging downpayments (by reducing the loan fee when downpayments are made in certain amounts). The Committee believes, however, that the Administration's mandatory-downpayment proposal contravenes the purpose of this important benefits program, which has traditionally assisted veterans who cannot afford a downpayment but who are able to afford monthly mortgage payments.

Cost: $6.2 million in BA and $18.1 million in savings in outlays as compared to the savings claimed in the Administration budget (as reestimated by CBO) and no cost as compared to the CBO baseline.

Add resale loss to net value calculation: The Committee does not accept the Administration's proposal for legislation to make a major change in the formula VA uses to determine whether it is less costly to buy a foreclosed home and resell it or simply pay the VA guaranty. This formula, called the "no-bid" formula, was recently reexamined by Congress in November 1989 when it overwhelmingly approved a provision in Public Law 101-237 prohibiting VA from considering the "cost of funds" in the no-bid formula. Including the cost of funds would have increased the rate of no-bids by 40 percent. This latest proposal to change the formula and include "VA's average loss" in the no-bid formula is a more drastic change that would effectively double the current VA no-bid rate. Such a dramatic rise in no-bids likely would force many lenders out of the VA loan market, thus limiting access to loans and consequently eliminating the value of this important benefit for many veterans.

Cost: No cost in BA and $800,000 in outlays as compared to the savings claimed in the Administration budget (as reestimated by CBO) and no cost as compared to the CBO baseline. (See Loan Guaranty Revolving Fund, below, for further costs.)

Committee Proposed:

Technical correction regarding Government contributions: The Committee plans to report legislation (section 404 of S. 2100) that would correct a technical error in Public Law 101-237 that otherwise would result in double contributions by the Government for certain veterans making a downpayment.

Savings: Savings of $12 million in BA and no change in outlays as compared to both the Administration budget (as reestimated by CBO) and the CBO baseline.

Guaranty and Indemnity Fund total cost: $89.7 million cost in BA and $151.8 million savings in outlays, which is $7.8 million less cost in BA and $140.4 million more cost in outlays than the Administration budget (as reestimated by CBO) and $12 million less in BA and no change in outlays as compared to the CBO baseline.

Direct Loan Revolving Fund:

LEGISLATION:

Administration Proposed:

Merge Direct Loan Revolving Fund into Loan Guaranty Revolving Fund: The Committee accepts the Administration's proposal to merge the DLRF with the LGRF on the basis that it could improve administrative efficiency without affecting the substance of either fund's respective loan program. The Committee stresses that any change to the substantive programs affecting either fund would require additional legislative action and that this change would not express Congressional concurrence with the sharp curtailment that has occurred in the direct loan program.

Cost: No cost as compared to the Administration budget (as reestimated by CBO) and no cost in BA and $14.1 million in outlays as compared to the CBO baseline. (However, the outlay cost is negated by corresponding savings under the LGRF.)

Direct loan revolving fund total cost: No cost in BA and outlays, which is no change from the Administration budget (as reestimated by CBO) and no cost in BA and $14.1 million in outlays over the CBO baseline.

Loan Guaranty Revolving Fund:

LEGISLATION:

Administration Proposed:

Add resale loss to net value calculation: (See the discussion of the Guaranty and Indemnity Fund, above.)

Cost: $110.7 million in both BA and outlays as compared to the savings claimed in the Administration budget (as reestimated by CBO) and no cost as compared to the CBO baseline.

Elimination of the manufactured home loan program: The Committee does not accept the Administration's proposal for complete elimination of the manufactured home loan program. This program, which provided about 800 loans during FY 1989, provides a low-cost alternative for veterans who may no have any other channel for home ownership. The Committee is concerned about the default problems linked with this program, but believes that Congress and the Administration should explore alternative ways to fix the problems in this program, not eliminate the entire program.

Cost: No cost as compared to the Administration budget (as reestimated by CBO) or the CBO baseline.

Manufactured home claims filing option: This Administration proposal would allow the lender to elect to be paid the guaranty amount upon receiving notice of VA's resale price. Since the provision has no budgetary effect, the Committee does not take a position on it at this point.

Cost: No cost as compared to the Administration budget (as reestimated by CBO) or the CBO baseline.

Merge Direct Loan Revolving Fund into Loan Guaranty Revolving Fund: (See discussion of the Direct Loan Revolving Fund, above.)

Savings: No savings in BA and outlays as compared to the Administration budget (as reestimated by CBO) and savings of $26.7 million in BA and $14.1 million in outlays as compared to the CBO baseline. (However, the outlay savings are negated by the corrésponding $14.1 million outlay cost in the DLRF.)

Loan Guaranty Revolving Fund total cost: $469.2 million in BA and $481.8 million in outlays, which is $110.7 million in BA and outlays over the Administration budget (as reestimated by CBO) and $26.7 million in BA and $14.1 million in outlays less than the CBO baseline.

Subfunction 705 - Other Veterans Benefits and Services

General Operating Expenses Account:

Veterans Benefits Administration:

Vocational rehabilitation timeliness: The Committee recommends providing funding for additional FTE to achieve VA processing timeliness standards for Vocational Rehabilitation and Counseling (VR&C) services. The Administration request recommends a reduction of 5 VR&C FTE despite an FY 1989 average vocational rehabilitation specialist caseload of 220, the same level projected for FY 1991. The Independent Budget calls for additional FTE to reduce this caseload to a more manageable average of 135 active cases per specialist. Applicants for VA vocational rehabilitation currently must wait an average of 100 days before receiving an initial interview with a VR&C counseling psychologist, while an average of 277 days passes from the time a participant completes the rehabilitation program and is ready to seek employment until the date he or she has been employed for 90 days, the point at which rehabilitation is counted by VA as successful.

VA timeliness standards are 60 days for processing VR&C applications and 200 days in employment services. VA has estimated that the VR&C program would have to be increased by 73 FTE in FY 1991 in order to achieve performance in compliance with VA timeliness standards. At the Committee's February 23 hearing, a panel of five VA Regional Office (RO) Directors were in general agreement regarding the need for additional VR&C staffing to reduce current processing lags to levels in accordance with VA standards. Further, the RO Directors were unanimous in their concern that the reduction in U.S. military forces widely expected to occur in the coming year likely will increase substantially the demand for VR&C services and contribute to an already unacceptable backlog.

The following table clearly illustrates that the downward trend in FTE has resulted in an unacceptable level of vocational rehabilitation and counseling services:

Vocational Rehabilitation
Staffing and Workloads

Fiscal Year	VA Standard	1984	1985	1986	1987	1988	1989
Field staff (FTE)		598	575	541	563	574	569
Workload		25,967	28,753	28,764	29,976	30,305	32,871
Average days in applicant status	60	NA	78	80	90	96	100
Average days in employment status	200	155	233	251	255	302	285
Counseling psychologist average workload		23	76	22	24	25	27
VRS case manager average workload		168	170	111	195	203	220

Because vocational rehabilitation services directly represent our Nation's commitment to service-connected disabled veterans -- those whose sacrifices deserve the highest priority -- it is imperative that services provided under this program meet acceptable standards of quality and timeliness. At the same time, vocational counseling professionals have established that the substantial lag time between application for services and initial face-to-face counseling contact has two adverse effects. First, the applicant's level of motivation and morale is reduced as delays produce the impression that the system is unresponsive and uncaring. Second, a person who has become disabled is prone to depression and an increase in psychosomatic symptoms, a tendency exacerbated by lengthy delays. Both of these adverse effects render more difficult the achievement of the primary objective of vocational rehabilitation -- veterans' successful re-entry into competitive employment -- and thus prevent these veterans from becoming more productive, contributing members of society and taxpayers. (Add 73 FTE.)

Cost: $2.5 million in BA and $2.3 million in outlays as compared to the Administration budget.

Veterans assistance improvements: The Committee recommends providing funding to improve veterans assistance services through more efficient telephone services, increased veterans benefits counselors, and increased outreach to military installations and VA medical centers. The recommendation is premised on the following assumptions:

Toll-free telephone service: Provide funding for Veterans Services telephone circuitry and staffing to improve telephone access for the estimated 3 million callers annually who receive a busy signal in their first attempt to reach VA.

The Independent Budget notes on page 29 that a large number of veterans "will not have access to a veterans benefits counselor because of insufficient phone lines and inadequate staffing." At the Committee's February 23 hearing, VARO Directors testified that they have felt pressure in the recent past to reduce the number of long-distance and local telephone lines into their stations so as to reduce their monthly line charges or because they believed their staffing level was inadequate to cover all lines in a timely manner. VA's FY 1988 telephone traffic study disclosed that on a nationwide average, long-distance lines suffered a 30-percent blockage rate while local lines were blocked at a 20-percent rate. The report stated: "Nearly every regional office exceeds the allowable 10-percent (B.10) blockage standard." VA's review of its blockage indicated a need in FY 1991 for 81 new circuits at a cost of $0.6 million based on AT&T circuitry rates. In order to reduce the number of callers who currently receive a busy signal in their first attempt to reach VA, $300,000 would be appropriate.

In response to Committee questions, VA noted that problems of circuitry blockage and too-few available staff are intertwined. Limited staffing resources drive both national and local organizations to reduce available circuitry to prevent high levels of abandoned calls. VA estimates that if the 81 new circuits were installed, an additional 54 FTE would be needed to maintain a 10-percent abandoned call rate. With funding of half the new lines, a proportionate number of staff are similarly recommended at a cost of $900,000. (Add 27 FTE.)

Personal services in large metropolitan areas: Increase Veterans Services program veterans' benefits counselors staffing in the 24 of 75 largest metropolitan areas where no veterans benefits counselors are available for face-to-face interviews. This limitation of VA's ability to give personal assistance was noted on page 35 of the Independent Budget and $800,000 would ameliorate the problem. (Add 24 FTE.)

Outreach to military installations and homeless veterans: Increase Veterans Services funding for employees to visit military installations and homeless shelters to provide benefits counseling. The Independent Budget points out on page 35 that eroded resources have severely curtailed Veterans Services' ability to conduct outreach programs for those most in need, noting that since 1985, "staff hours for outreach activities have been reduced by 40 percent."

VA has agreed to help the Department of Labor with its Transitional Assistance Program for separating military service personnel but could also provide other outreach services to military personnel remaining on active duty. The Committee believes that a higher percentage of Veterans Service work should be devoted to outreach and that Congress should demonstrate a commitment to increasing that effort by adding $1 million. (Add 29 FTE.)

Benefits counselors at VA medical centers (VAMCs): Increase Veterans Services funding for employees to give face-to-face benefits counseling and assistance to veterans and families in all VA medical centers. Currently, 132 FTE are utilized as benefits counselors for 172 VAMCs. To provide an outreach worker at the other VAMCs would cost $1.4 million. (Add 40 FTE.)

Cost: $4.4 million in BA and $4 million in outlays as compared to the Administration budget.

ADP Modernization in VBA: Provide $5.9 million for ADP needs to provide partial funding for phase II of the Loan Production System (LPS) and improve technology for benefits processing. The recommendation is premised on the following assumptions:

Partial funding of Phase II of the Loan Production System: VA's submission to OMB included a request for $6.424 million to fund the entire phase II of LPS. The final Administration request included no funding for this vital program, which already is improving VA loan processing and servicing as a result of partial Phase I LPS implementation. Funding of $3.5 million would allow VA to implement the following elements of Phase II: (1) design and development of the Liquidation and Claims System ($0.9 million); (2) the Loan Guaranty Index ($1.6 million); and (3) completion of the Property Management System ($1.0 million). The Committee urges the Administration to include in its FY 1992 budget funding for the remaining elements of Phase II, which are (1) purchase of fourth-generation-language software ($2.0 million), and (2) replacement of the Portfolio Loan System ($0.9 million).

Use of optical disk for claims processing: VA's submission to OMB included a request of $2.4 million to fund a prototype to test imaging technology, but the Administration budget included no funding for this purpose. This very forward-looking technology has been used very successfully in a Montgomery GI Bill prototype in St. Louis for several years and can serve as a valuable bridge into later ADP modernization efforts. This prototype would allow VA to develop and test the transmission of images along with various software packages.

Cost: $5.9 million in BA and $5.4 in outlays as compared to the Administration budget.

Restoration of proposed personnel cuts attributed to ADP modernization: Increase resources to restore premature staffing cuts attributed in the Administration's budget to LPS implementation (31 FTE) and to bar-coding of claims folders (18 FTE). The Committee proposes that any staff positions actually saved through LPS implementation should be redistributed so as to provide for increased loan servicing in areas of the country experiencing high default rates. (Add 49 FTE.)

Cost: $1.7 million in BA and $1.5 million in outlays as compared to the Administration budget.

Board of Veterans' Appeals: The response time of the BVA has almost doubled over the past several years -- from 106 days in FY 1977 to 210 days at the end of FY 1989. The Committee recommends providing sufficient funds to allow BVA to reduce its response time from the current 210 days to the FY 1986 timeliness standard of approximately 135 days. (Add 60 FTE.)

Cost: $3 million in BA and $2.7 million in outlays as compared to the Administration budget.

National Cemetery System: The Committee recommends funding to enable the National Cemetery System (NCS) to address many pressing needs and ensure that its cemeteries are maintained at historic levels of beauty and dignity. The NCS needs additional funding in FY 1991 (1) to address its significant backlog in replacement equipment ($6.7 million by the end of FY 1991); (2) to bring the staffing level in the field up to the level, based on VA staffing guidelines, required to meet its workload demands ($3 million, 100 FTE); (3) to undertake repair and maintenance projects that have been deferred since FY 1987 ($1.3 million); (4) to purchase new equipment that is required to meet expanded workload ($1.1 million); (5) to replenish its inventory of basic supplies and materials ($1.2 million); (6) to meet increased utilities costs -- mainly in watering ($800,000); and (7) to purchase equipment and supplies needed to activate the San Joaquin Valley National Cemetery ($600,000). These recommendations are in line with those made in the Independent Budget.

Cost: $14.4 million in BA and $12.9 million in outlays as compared to the Administration budget.

Due Process notices under section 115 of Public Law 101-237: Section 115 of Public Law 101-237 requires VA, in any case in which the Secretary denies a benefit, to provide in a timely manner notice of the decision, including a summary of the evidence considered and the reasons for the decision. VA estimates that 145 FTE and $2 million will be needed to implement this provision. Since this law was not enacted until December 18, 1989, after the VA request was determined, there was no opportunity for resources to be included in the Administration's budget request. (Add 145 FTE.)

Cost: $6.8 million in BA and $6.1 million in outlays as compared to the Administration budget.

LEGISLATION:

Administration Proposed:

IRS/SSA data matching: (See this item in the discussion of the Pension account, above.) The Administration recommends the cost of the 100 FTE for carrying out the matching be paid for out of the GOE account. The Committee recommends taking the funds from the compensation and pension account.

Savings: Savings of $9 million in both BA and outlays as compared to the Administration budget (as reestimated by CBO) and no cost as compared to the CBO baseline. (However the savings are negated by the corresponding $9-million cost in the Pension account.)

General Operating Expenses account total cost: $941.2 million in BA and $928.4 million in outlays, which is $29.7 million in BA and $26 million in outlays above the Administration's budget (as reestimated by CBO) and $75.8 million in BA and $68.3 million in outlays above the CBO baseline.

U.S. Court of Veterans Appeals Account:

Pursuant to section 4082(a) of title 38, the Court's budget request ($9 million in BA and $8.6 million in outlays) is submitted to the Congress without review by the Office of Management and Budget or other Executive Branch officials. The Committee has examined the Court's submission carefully and, although there is no prior year's record on which to base a comparison, believes that the proposed funding level is reasonable and appropriate to ensure that the Court has sufficient resources to carry out its important mission.

FUNCTION 500 -- EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Subfunction 504 -- Training and Employment

Veterans' Employment and Training Programs:

Disabled veterans' outreach program specialists (DVOPs) and local veterans' employment representatives (LVERs): The Committee recommends adding resources to provide for the funding levels required by the statutory funding formulas contained in sections 2003A and 2004 of title 38, United States Code, for DVOPs and LVERs. DVOPs and LVERs constitute a nationwide system for furnishing counseling, training, and placement services to veterans. Federal support of these personnel represents the major part of the U.S. Government's effort to ensure that those whose service has kept our Nation free and strong have a full opportunity to participate in the economic system that their sacrifices have preserved. The Committee believes that the Administration-proposed reduction is totally unwarranted. (Add 153 DVOP FTE and 135 LVER FTE.)

Cost: $12.9 million in BA and outlays as compared to the Administration budget.

National Veterans' Training Institute (NVTI): The Department of Labor has already entered into a contract to train approximately 2,000 persons at the NVTI, yet the Administration requested only $829,000, an amount that would train only 500 persons. The Assistant Secretary for Veterans Employment and Training (ASVET) testified at the Committee's February 23 hearing that he planned to divert $2.7 million from other sources if necessary to train 2,000 participants at the NVTI in FY 1991. Diverting such a large amount from the Job Training Partnership Act Title IV-C funds, however, would seriously limit the ASVETS' ability to support innovative community-based demonstration projects in FY 1991.

Cost: $1.9 million in both BA and outlays as compared to the Administration budget.

BUDGET AUTHORITY (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Subfunction 701 - Income Security					
COMPENSATION	11570.2	11570.2	11570.2	0.0	0.0
Proposed legislation:					
Administration & SVAC COLA (4.1%; S. 2100)	396.6	396.6	396.6	0.0	0.0
Administration					
Limit on estates of incomp. veterans	0.0	-150.1	0.0	150.1	0.0
SVAC					
Agent Orange exposure compensation (S. 1153)	0.0	0.0	36.0	36.0	36.0
Radiation-exposed reservists (S. 2100)	0.0	0.0	1.0	1.0	1.0
Expand radiation-exposed-veterans provision	0.0	0.0	11.0	11.0	11.0
Concurrent receipt (Amendment 110) (n.1)	0.0	0.0	2.0	2.0	2.0
SUBTOTAL (Compensation)	11966.8	11816.7	12016.8	200.1	50.0
PENSION	3878.8	3878.8	3878.8	0.0	0.0
Proposed legislation:					
Administration					
Revise criteria for pension reduction	0.0	7.3	7.3	0.0	7.3
Income verif. with IRS/SSA data (n.2)	0.0	-46.0	0.0	46.0	0.0
SVAC					
Income verif. with IRS/SSA data (S. 13/S. 1633)	0.0	0.0	-37.0 100 FTE	-37.0	-37.0
SUBTOTAL (Pension)	3878.8	3840.1	3849.1 100 FTE	9.0	-29.7
BURIAL BENEFITS & MISC. ASSISTANCE	139.9	139.9	139.9	0.0	0.0
INSURANCE					
Veterans insurance and indemnities	15.4	15.4	15.4	0.0	0.0
Proposed legislation:					
SVAC					
Increase VMLI coverage (S. 2100)	0.0	0.0	2.0	2.0	2.0

BUDGET AUTHORITY (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Increase SDVI coverage (S. 2100)	0.0	0.0	1.0	1.0	1.0
Subtotal (Veterans insurance and indemnities)	15.4	15.4	18.4	3.0	3.0
Other insurance accounts	1046.6	1046.6	1046.6	0.0	0.0
SUBTOTAL (Insurance)	1062.0	1062.0	1065.0	3.0	3.0
TOTAL (Subfunction 701)	17047.5	16858.7	17070.8	212.1	23.3
Subfunction 702 - Veterans Education, Training, and Rehabilitation					
TOTAL (Subfunction 702)	481.0	481.0	481.0	0.0	0.0
Subfunction 703 - Hospital and Medical Care for Veterans					
MEDICAL CARE	12040.2	12227.1 194,638 FTE	12227.1 194,638 FTE	0.0	186.8
SVAC funding proposals in addition to Admin. request					
PTSD care	0.0	0.0	11.0 141 FTE	11.0	11.0
Readjustment counseling prog. inflation adjustment	0.0	0.0	1.4	1.4	1.4
AIDS care (in lieu of diverting funds)	0.0	0.0	50.0 550 FTE	50.0	50.0
Homeless AIDS program	0.0	0.0	5.0	5.0	5.0
Homeless Chronically Mentally Ill	0.0	0.0	5.0 46 FTE	5.0	5.0
Restore community nursing home care to 1988 level	0.0	0.0	96.0	96.0	96.0
Reduce replacement equipment backlog	0.0	0.0	100.0	100.0	100.0
Expand geriatric and extended-care programs	0.0	0.0	12.0 148 FTE	12.0	12.0
Restore "resource redirection" cut	0.0	0.0	28.1 531 FTE	28.1	28.1
Orthotics laboratories	0.0	0.0	1.0 8 FTE	1.0	1.0

BUDGET AUTHORITY (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Decentralized Hospital Computer Program (restore staffing; implement security)	0.0	0.0	24.3 203 FTE	24.3	24.3
Integrated Hospital System	0.0	0.0	3.0	3.0	3.0
Subtotal (SVAC funding proposals)	0.0	0.0	336.8 1,627 FTE	336.8	336.8
Proposed legislation:					
Administration					
Dental-care eligibility revisions (n.4)	0.0	5.5	0.0	-5.5	0.0
Child-care centers	0.0	1.2	1.2	0.0	1.2
Nurse pay reform (VA estimate) (n.5)	0.0	31.4	0.0	-31.4	0.0
Sat. prem. pay for nursing assistants (n.6)	0.0	1.1	0.0	-1.1	0.0
Physician/dentist special pay (VA est.) (n.7)	0.0	38.6	0.0	-38.6	0.0
Transfer to new 3rd-party billing account (VA estimate)	0.0	-18.6 -500 FTE	-18.6 0.0	0.0	-18.6
Increase co-payments	0.0	-48.3	0.0	48.3	0.0
Subtotal (Administration legislation)	0.0	10.9 -500 FTE	-17.4 -500 FTE	-28.3	-17.4
SVAC					
Nurse pay reform (S. 13) (VA estimate)	0.0	0.0	31.4	31.4	31.4
Other major Senate-passed health provisions (S. 13)	0.0	0.0	55.1 489 FTE	55.1	55.1
Mobile health-care clinics (S. 2100)	0.0	0.0	5.0 35 FTE	5.0	5.0
Prosthetic and other medical devices (S. 2100)	0.0	0.0	7.0	7.0	7.0
Home health services (S. 2100) (n.8)	0.0	0.0	17.5	17.5	17.5
Physician/dentist special pay reform	0.0	0.0	75.2	75.2	75.2
Subtotal (SVAC legislation)	0.0	0.0	191.2 524 FTE	191.2	191.2

BUDGET AUTHORITY (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
SUBTOTAL (Medical Care)	12040.2	12238.0 194,138 FTE	12737.7 196,289 FTE	499.7 2,151 FTE	697.4
MEDICAL AND PROSTHETIC RESEARCH	226.5	198.5	198.5	0.0	-27.9
SVAC funding proposals in addition to Admin. request					
Restore and enhance research funding	0.0	0.0	40.0 700 FTE	40.0	40.0
SUBTOTAL (Medical and Prosthetic Research)	226.5	198.5	238.5 700 FTE	40.0	12.1
MEDICAL ADMIN. AND MISC. OPER. EXPENSES	48.3	47.7 521 FTE	47.7 521 FTE	0.0	-0.6
SVAC funding proposals in addition to Admin. request					
Restore FY 1990 reductions	0.0	0.0	5.8 72 FTE	5.8	5.8
Prosthetics (site-visit evaluation & budget model devel.)	0.0	0.0	0.1 1 FTE	0.1	0.1
SUBTOTAL (MAMOE)	48.3	47.7 521 FTE	53.6 594 FTE	5.9 73 FTE	5.3
CONSTRUCTION, Major Projects	424.9	530.0	530.0	0.0	105.1
SVAC funding proposals in addition to Admin. request					
High-priority projects	0.0	0.0	60.0	60.0	60.0
Emergency replacement of Palo Alto VAMC (due to earthquake) (n.3)	0.0	0.0	240.0	240.0	240.0
SUBTOTAL (Major Construction)	424.9	530.0	830.0	300.0	405.1
CONSTRUCTION, Minor Projects	98.0	145.6	145.6	0.0	47.6
SVAC funding proposals in addition to Admin. request					
Conversions to nursing home beds (1000)	0.0	0.0	30.0	30.0	30.0

BUDGET AUTHORITY (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
SUBTOTAL (Minor Construction)	98.0	145.6	175.6	30.0	77.6
STATE HOME CONSTRUCTION GRANTS					
SVAC funding proposals in addition to Admin. request	43.0	42.0	42.0	0.0	-1.0
Fund all approvable grant applications	0.0	0.0	16.6	16.6	16.6
SUBTOTAL (State home construction grants)	43.0	42.0	58.6	16.6	15.6
GRANTS TO THE PHILIPPINES	0.5	0.5	0.5	0.0	0.0
NURSING HOME REVOLVING FUND	-0.1	-0.1	-0.1	0.0	0.0
PARKING GARAGE REVOLVING FUND	29.7	18.9	18.9	0.0	-10.8
THIRD-PARTY MEDICAL RECOVERIES					
Proposed legislation:					
Administration					
Transfer from Medical Care account	0.0	18.6 500FTE	18.6 500FTE	0.0	18.6
Appropriation of receipts	0.0	6.4 300FTE	6.4 300FTE	0.0	6.4
SUBTOTAL (Third-Party Medical Recoveries)	0.0	25.0 800 FTE	25.0 800 FTE	0.0	25.0
REIMBURSEMENTS FOR MEDICAL CARE	-173.1	-173.1	-173.1	0.0	0.0
Proposed legislation:					
Administration					
Increase co-payments	0.0	-27.4	0.0	27.4	0.0
Bill for non-SC care to SC veterans	0.0	-87.5	0.0	87.5	0.0
SVAC					
Bill for non-SC care to 0-20% SC veterans	0.0	0.0	-33.0	-33.0	-33.0
SUBTOTAL (Reimbursements for medical care)	-173.1	-288.0	-206.1	81.9	-33.0

BUDGET AUTHORITY (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
TOTAL (Subfunction 703)	12738.0	12958.2 194,959 FTE	13932.3 198,383 FTE	974.1 3,424 FTE	1194.3
Subfunction 704 - Veterans Housing					
GUARANTY AND INDEMNITY FUND	101.7	101.7	101.7	0.0	0.0
Proposed Legislation:					
Administration					
Add resale loss to net value calculation	0.0	0.0	0.0	0.0	0.0
Increase loan fees to 1.75% and eliminate exemptions	0.0	4.0	0.0	-4.0	0.0
4% downpayment on loan amounts over $25,000	0.0	-6.2	0.0	6.2	0.0
Subtotal (Administration legislation) (n.9)	0.0	-2.0	0.0	2.0	0.0
SVAC					
Technical correction of P.L. 101-237	0.0	0.0	-12.0	-12.0	-12.0
SUBTOTAL (GIF)	101.7	99.7	89.7	-7.8	-12.0
DIRECT LOAN REVOLVING FUND	0.0	0.0	0.0	0.0	0.0
Proposed legislation:					
Administration					
Merge DLRF into LGRF	0.0	0.0	0.0	0.0	0.0
SUBTOTAL (DLRF)	0.0	0.0	0.0	0.0	0.0
LOAN GUARANTY REVOLVING FUND	495.9	495.9	495.9	0.0	0.0
Proposed Legislation:					
Administration					
Eliminate manufactured-home loans (n.10)	0.0	0.0	0.0	0.0	0.0
Manufactured-home loan claim-filing option	0.0	0.0	0.0	0.0	0.0
Merge DLRF into LGRF	0.0	-26.7	-26.7	0.0	-26.7
Add resale loss to net value calculation	0.0	-110.7	0.0	110.7	0.0
Subtotal (Proposed legislation)	0.0	-137.4	-26.7	110.7	-26.7
SUBTOTAL (LGRF)	495.9	358.5	469.2	110.7	-26.7
TOTAL (Subfunction 704)	597.6	458.2	558.9	100.7	-38.7

FISCAL YEAR 1991 FUNCTION 700: VETERANS BENEFITS AND SERVICES

BUDGET AUTHORITY (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Subfunction 705 - Other Veterans Benefits & Services					
GENERAL OPERATING EXPENSES	865.4	902.5 17,168 FTE	902.5 17,168 FTE	0.0	37.1
SVAC funding proposals in addition to Admin. request					
Veterans Benefits Administration --					
ADP modernization	0.0	0.0	5.9	5.9	5.9
Veterans assistance improvements	0.0	0.0	4.4 120 FTE	4.4	4.4
Vocational rehabilitation timeliness	0.0	0.0	2.5 73 FTE	2.5	2.5
Due-process notices under P.L. 101-237	0.0	0.0	6.8 145 FTE	6.8	6.8
Personnel restorations (from alleged ADP productivity cuts)	0.0	0.0	1.7 49 FTE	1.7	1.7
Board of Veterans Appeals --					
Response time	0.0	0.0	3.0 60 FTE	3.0	3.0
National Cemetery System --					
Elimination of equipment backlog	0.0	0.0	6.7	6.7	6.7
Staff for interments	0.0	0.0	3.0 100 FTE	3.0	3.0
Deferred maintenance and repair projects	0.0	0.0	1.0	1.0	1.0
Supplies and materials shortfall	0.0	0.0	1.2	1.2	1.2
Activation of San Joaquin Valley National Cemetery	0.0	0.0	0.6	0.6	0.6
Water supplies to prevent turf deterioration	0.0	0.0	0.8	0.8	0.8
Equipment for increased workload	0.0	0.0	1.1	1.1	1.1
Subtotal (SVAC funding proposals)	0.0	0.0	38.7 547 FTE	38.7	38.7

BUDGET AUTHORITY (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Proposed Legislation:					
Administration					
Income verification with IRS/SSA data (n.2)	0.0	9.0 100 FTE	0.0	-9.0	0.0
Subtotal (Administration legislation)	0.0	9.0 100 FTE	0.0	-9.0	0.0
SUBTOTAL (GOE)	865.4	911.5 17,268 FTE	941.2 17,715 FTE	29.7 447 FTE	75.8
OTHER (Within the Committee's jurisdiction)	73.2	75.0	75.0	0.0	1.8
OTHER (Not within Committee's jurisdiction)	58.9	55.0	58.9	3.9	0.0
U.S. COURT OF VETERANS APPEALS	4.1	9.0	9.0	0.0	4.9
TOTAL (Subfunction 705)	1001.7	1050.5	1084.2	33.6	82.5
TOTAL BUDGET AUTHORITY (Function 700)	31865.8	31806.6	33127.1	1320.5	1261.4

13-Mar-90 FY 1991 FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES: DEPT. OF LABOR PAGE 1

BUDGET AUTHORITY (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Subfunction 504 - Training and Employment					
VETERANS EMPLOYMENT & TRAINING SERV.	164.7	161.5	161.5	0.0	-3.2
SVAC funding proposals in addition to Admin. request					
Compliance with statutory funding reqirements					
DVOPs	0.0	0.0	6.6	6.6	6.6
LVERs	0.0	0.0	6.3	6.3	6.3
National Veterans' Training Institute					
Funding to train 2,000 participants	0.0	0.0	1.9	1.9	1.9
TOTAL (Veterans Employment & Training Service)	164.7	161.5	174.4	12.9	9.7

FOOTNOTES

1. Inclusion of this item is contingent upon the Committee voting to report the provisions of Amendment 110 to S. 190.

2. The Committee provision passed by the Senate on October 3, 1989 (section 704 of S. 13), and the Administration proposal are substantively identical except that the Senate-passed provision would fund the costs of administration from the Compensation and Pension account rather than the General Operating Expenses account.

3. This is a preliminary, informal VA figure.

4. If these provisions are enacted, the Committee anticipates that there would be room for the $5.5 million cost as a result of the likelihood that the House will not agree to all provisions of S. 13 for which funding is recommended. (See SVAC legislation, below.)

5. A similar proposal is included under SVAC legislation.

6. The cost of the Administration proposal is subsumed in the SVAC-legislation item "Other major Senate-passed health provisions (S. 13)." The Committee is not necessarily disagreeing with the Administration proposal, which has not yet been submitted.

7. A $75.2-million cost is anticipated for SVAC legislation to reform pay for VA doctors. The Committee is not necessarily disagreeing with the Administration proposal, which has not yet been submitted.

8. According to CBO, the first-full-year cost of this item would be $35 million. The figure shown is based on assumed reductions based on a delayed effective date.

9. Combined effects of the Administration's legislative proposals are less than their individual impacts due to offsetting interactions.

10. The Committee does not support this legislation at this time but, rather, is exploring alternatives to outright elimination.

FISCAL YEAR 1991 FUNCTION 700: VETERANS BENEFITS AND SERVICES

OUTLAYS (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Subfunction 701 - Income Security					
COMPENSATION	11576.1	11576.1	11570.2	-5.9	-5.9
Proposed legislation:					
Administration & SVAC COLA (4.1%; S. 2100)	357.7	357.7	357.7	0.0	0.0
Administration					
Limit on estates of incomp. veterans	0.0	-138.1	0.0	138.1	0.0
SVAC					
Agent Orange exposure compensation (S. 1153)	0.0	0.0	33.0	33.0	33.0
Radiation-exposed reservists (S. 2100)	0.0	0.0	1.0	1.0	1.0
Expand radiation-exposed-veterans provision	0.0	0.0	10.1	10.1	10.1
Concurrent receipt (Amendment 110) (n.1)	0.0	0.0	2.0	2.0	2.0
SUBTOTAL (Compensation)	11933.8	11795.7	11974.0	178.3	40.2
PENSION	3877.1	3877.1	3877.1	0.0	0.0
Proposed legislation:					
Administration					
Revise criteria for pension reduction	0.0	7.3	7.3	0.0	7.3
Income verif. with IRS/SSA data (n.2)	0.0	-37.0	0.0	37.0	0.0
SVAC					
Income verif. with IRS/SSA data (S. 13/S. 1633)	0.0	0.0	-28.0 100 FTE	-28.0	-28.0
SUBTOTAL (Pension)	3877.1	3847.4	3856.4 100 FTE	9.0	-20.7
BURIAL BENEFITS & MISC. ASSISTANCE	139.9	139.9	139.9	0.0	0.0
INSURANCE					
Veterans insurance and indemnities	18.6	18.6	18.6	0.0	0.0
Proposed legislation:					
SVAC					
Increase VMLI coverage (S. 2100)	0.0	0.0	2.0	2.0	2.0

OUTLAYS (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Increase SDVI coverage (S. 2100)	0.0	0.0	1.0	1.0	1.0
Subtotal (Veterans insurance and indemnities)	18.6	18.6	21.6	3.0	3.0
Other insurance accounts	836.7	836.7	836.7	0.0	0.0
SUBTOTAL (Insurance)	855.3	855.3	858.3	3.0	3.0
TOTAL (Subfunction 701)	16806.1	16638.3	16828.6	190.3	22.5
Subfunction 702 - Veterans Education, Training, and Rehabilitation					
TOTAL (Subfunction 702)	540.9	540.9	540.9	0.0	0.0
Subfunction 703 - Hospital and Medical Care for Veterans					
MEDICAL CARE	12113.4	12274.1 194,638 FTE	12274.1 194,638 FTE	0.0	160.7
SVAC funding proposals in addition to Admin. request					
PTSD care	0.0	0.0	9.5 141 FTE	9.5	9.5
Readjustment counseling prog. inflation adjustment	0.0	0.0	1.2	1.2	1.2
AIDS care (in lieu of diverting funds)	0.0	0.0	43.0 550 FTE	43.0	43.0
Homeless AIDS program	0.0	0.0	4.3	4.3	4.3
Homeless Chronically Mentally Ill	0.0	0.0	4.3 46 FTE	4.3	4.3
Restore community nursing home care to 1988 level	0.0	0.0	82.6	82.6	82.6
Reduce replacement equipment backlog	0.0	0.0	86.0	86.0	86.0
Expand geriatric and extended-care programs	0.0	0.0	10.3 148 FTE	10.3	10.3
Restore "resource redirection" cut	0.0	0.0	24.2 531 FTE	24.2	24.2
Orthotics laboratories	0.0	0.0	0.9 8 FTE	0.9	0.9

OUTLAYS (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Decentralized Hospital Computer Program	0.0	0.0	20.9	20.9	20.9
(restore staffing; implement security)			203 FTE		
Integrated Hospital System	0.0	0.0	2.6	2.6	2.6
Subtotal (SVAC funding proposals)	0.0	0.0	289.6	289.6	289.6
			1,627 FTE		
Proposed legislation:					
Administration					
Dental-care eligibility revisions (n.4)	0.0	5.5	0.0	-5.5	0.0
Child-care centers	0.0	0.5	0.5	0.0	0.5
Nurse pay reform (VA estimate) (n.5)	0.0	31.4	0.0	-31.4	0.0
Sat. prem. pay for nursing assistants (n.6)	0.0	1.0	0.0	-1.0	0.0
Physician/dentist special pay (VA est.) (n.7)	0.0	38.6	0.0	-38.6	0.0
Transfer to new 3rd-party billing	0.0	-18.6	-18.6	0.0	-18.6
account (VA estimate)		-500 FTE	-500 FTE		
Increase co-payments	0.0	-48.3	0.0	48.3	0.0
Subtotal (Administration legislation)	0.0	10.1	-18.1	-28.2	-18.1
		-500 FTE	-500 FTE		
SVAC					
Nurse pay reform (S. 13) (VA estimate)	0.0	0.0	31.4	31.4	31.4
Other major Senate-passed health provisions (S. 13)	0.0	0.0	40.0	40.0	40.0
			489 FTE		
Mobile health-care clinics (S. 2100)	0.0	0.0	3.0	3.0	3.0
			35 FTE		
Prosthetic and other medical devices (S. 2100)	0.0	0.0	6.0	6.0	6.0
Home health services (S. 2100) (n.8)	0.0	0.0	15.0	15.0	15.0
Physician/dentist special pay reform	0.0	0.0	75.2	75.2	75.2
Subtotal (SVAC legislation)	0.0	0.0	170.6	170.6	170.6
			524 FTE		

OUTLAYS (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
SUBTOTAL (Medical Care)	12113.4	12284.2	12716.2 196,289 FTE	432.0 2,151 FTE	602.8
MEDICAL AND PROSTHETIC RESEARCH	219.8	198.8	198.8	0.0	-20.9
SVAC funding proposals in addition to Admin. request					
Restore and enhance research funding	0.0	0.0	30.0 700 FTE	30.0	30.0
SUBTOTAL (Medical and Prosthetic Research)	219.8	198.8	228.8 700 FTE	30.0	9.1
MEDICAL ADMIN. AND MISC. OPER. EXPENSES	47.8	47.4 521 FTE	47.4 521 FTE	0.0	-0.4
SVAC funding proposals in addition to Admin. request					
Restore FY 1990 reductions	0.0	0.0	4.2 72 FTE	4.2	4.2
Prosthetics (site-visit evaluation & budget model devel.)	0.0	0.0	0.1 1 FTE	0.1	0.1
SUBTOTAL (MAMOE)	47.8	47.4 521 FTE	51.6 594 FTE	4.2 73 FTE	3.8
CONSTRUCTION, Major Projects	476.8	481.6	481.6	0.0	4.7
SVAC funding proposals in addition to Admin. request					
High-priority projects	0.0	0.0	2.7	2.7	2.7
Emergency replacement of Palo Alto VAMC (due to earthquake) (n.3)	0.0	0.0	10.8	10.8	10.8
SUBTOTAL (Major Construction)	476.8	481.6	495.1	13.5	18.2
CONSTRUCTION, Minor Projects	111.2	123.7	123.7	0.0	12.5
SVAC funding proposals in addition to Admin. request					
Conversions to nursing home beds (1000)	0.0	0.0	7.9	7.9	7.9

OUTLAYS (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
SUBTOTAL (Minor Construction)	111.2	123.7	131.6	7.9	20.3
STATE HOME CONSTRUCTION GRANTS	40.8	40.8	40.8	0.0	0.0
SVAC funding proposals in addition to Admin. request					
Fund all approvable grant applications	0.0	0.0	0.0	0.0	0.0
SUBTOTAL (State home construction grants)	40.8	40.8	40.8	0.0	0.0
GRANTS TO THE PHILIPPINES	0.6	0.6	0.6	0.0	0.0
MEDICAL CTR RESEARCH ORGANIZATIONS	-1.4	-1.4	-1.4	0.0	0.0
SPECIAL THERAPEUTIC & REHAB. FUND	-0.1	-0.1	-0.1	0.0	0.0
PARKING GARAGE REVOLVING FUND	16.5	16.0	16.0	0.0	-0.5
THIRD-PARTY MEDICAL RECOVERIES					
Proposed legislation:					
Administration					
Transfer from Medical Care account	0.0	18.6 500FTE	18.6 500FTE	0.0	18.6
Appropriation of receipts	0.0	6.4 300FTE	6.4 300FTE	0.0	6.4
SUBTOTAL (Third-Party Medical Recoveries)	0.0	25.0 800 FTE	25.0 800 FTE	0.0	25.0
REIMBURSEMENTS FOR MEDICAL CARE	-173.1	-173.1	-173.1	0.0	0.0
Proposed legislation:					
Administration					
Increase co-payments	0.0	-27.4	0.0	27.4	0.0
Bill for non-SC care to SC veterans	0.0	-87.5	0.0	87.5	0.0

OUTLAYS (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
SVAC					
Bill for non-SC care to 0-20% SC veterans	0.0	0.0	-33.0	-33.0	-33.0
SUBTOTAL (Reimbursements for medical care)	-173.1	-288.0	-206.1	81.9	-33.0
TOTAL (Subfunction 703)	12852.4	12928.6	13498.1	569.6	645.7
		194,959 FTE	198,383 FTE	3,424 FTE	
Subfunction 704 - Veterans Housing					
GUARANTY AND INDEMNITY FUND	-151.8	-151.8	-151.8	0.0	0.0
Proposed Legislation:					
Administration					
Add resale loss to net value calculation	0.0	-0.8	0.0	0.8	0.0
Increase loan fees to 1.75% and eliminate exemptions	0.0	-91.7	0.0	91.7	0.0
4% downpayment on loan amounts over $25,000	0.0	18.1	0.0	-18.1	0.0
Subtotal (Administration legislation) (n.9)	0.0	-66.0	0.0	66.0	0.0
SVAC					
Technical correction of P.L. 101-237	0.0	0.0	0.0	0.0	0.0
SUBTOTAL (GIF)	-151.8	-217.8	-151.8	140.4	0.0
DIRECT LOAN REVOLVING FUND	-14.1	-14.1	-14.1	0.0	0.0
Proposed legislation:					
Administration					
Merge DLRF into LGRF	0.0	14.1	14.1	0.0	14.1
SUBTOTAL (DLRF)	-14.1	0.0	0.0	0.0	14.1
LOAN GUARANTY REVOLVING FUND	495.9	495.9	495.9	0.0	0.0
Proposed Legislation:					
Administration					
Eliminate manufactured-home loans (n.10)	0.0	0.0	0.0	0.0	0.0
Manufactured-home loan claim-filing option	0.0	0.0	0.0	0.0	0.0
Merge DLRF into LGRF	0.0	-14.1	-14.1	0.0	-14.1
Add resale loss to net value calculation	0.0	-110.7	0.0	110.7	0.0

OUTLAYS (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Subtotal (Proposed legislation)	0.0	-124.8	-14.1	110.7	-14.1
SUBTOTAL (LGRF)	495.9	371.1	481.8	110.7	-14.1
TOTAL (Subfunction 704)	330.0	153.3	330.0	176.7	-0.0
Subfunction 705 - Other Veterans Benefits & Services					
GENERAL OPERATING EXPENSES	860.0	893.4	893.4	0.0	33.4
		17,168	17,168		
SVAC funding proposals in addition to Admin. request					
Veterans Benefits Administration --					
ADP modernization	0.0	0.0	5.4	5.4	5.4
Veterans assistance improvements	0.0	0.0	4.0	4.0	4.0
			120 FTE		
Vocational rehabilitation caseload	0.0	0.0	2.3	2.3	2.3
			73 FTE		
Due-process notices under P.L. 101-237	0.0	0.0	6.1	6.1	6.1
			145 FTE		
Personnel restorations (from alleged ADP productivity cuts)	0.0	0.0	1.5		
			49 FTE		
Board of Veterans Appeals --					
Response time	0.0	0.0	2.7	2.7	2.7
			60 FTE		
National Cemetery System --					
Elimination of equipment backlog	0.0	0.0	6.0	6.0	6.0
Staff for interments	0.0	0.0	2.7	2.7	2.7
			100 FTE		
Deferred maintenance and repair projects	0.0	0.0	0.9	0.9	0.9
Supplies and materials shortfall	0.0	0.0	1.1	1.1	1.1
Activation of San Joaquin Valley National Cemetery	0.0	0.0	0.5	0.5	0.5
Water supplies to prevent turf deterioration	0.0	0.0	0.7	0.7	0.7
Equipment for increased workload	0.0	0.0	1.0	1.0	1.0

OUTLAYS (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Subtotal (SVAC funding proposals)	0.0	0.0	35.0 547 FTE	35.0	35.0
Proposed Legislation:					
Administration					
Income verification with IRS/SSA data (n.2)	0.0	9.0 100 FTE	0.0	-9.0	0.0
Subtotal (Administration legislation)	0.0	9.0 100 FTE	0.0	-9.0	0.0
SUBTOTAL (GOE)	860.0	902.4 17,268 FTE	928.4 17,715 FTE	26.0 447 FTE	68.3
OTHER (Within the Committee's jurisdiction)	65.1	67.4	67.4	0.0	2.3
OTHER (Not within Committee's jurisdiction)	74.2	71.1	74.2	3.1	0.0
U.S. COURT OF VETERANS APPEALS	4.3	8.6	8.6	0.0	4.4
TOTAL (Subfunction 700)	1003.6	1049.5	1078.6	29.1	75.0
TOTAL OUTLAYS (Function 700)	31533.1	31310.7	32276.3	965.6	743.2

OUTLAYS (dollars in millions)	FY 91 CBO Baseline	FY 91 President (re-estimated)	FY 91 SVAC Proposed	SVAC-President	SVAC-Baseline
Subfunction 504 - Training and Employment					
VETERANS EMPLOYMENT & TRAINING SERV.	164.1	161.5	161.5	0.0	-2.6
SVAC funding proposals in addition to Admin. request					
Compliance with statutory funding reqirements					
DVOPs	0.0	0.0	6.6	6.6	6.6
LVERs	0.0	0.0	6.3	6.3	6.3
National Veterans' Training Institute					
Funding to train 2,000 participants	0.0	0.0	1.9	1.9	1.9
TOTAL (Veterans Employment & Training Service)	164.1	161.5	176.3	14.8	12.2

FOOTNOTES

1. Inclusion of this item is contingent upon the Committee voting to report the provisions of Amendment 110 to S. 190.

2. The Committee provision passed by the Senate on October 3, 1989 (section 704 of S. 13), and the Administration proposal are substantively identical except that the Senate-passed provision would fund the costs of administration from the Compensation and Pension account rather than the General Operating Expenses account.

3. This is a preliminary, informal VA figure.

4. If these provisions are enacted, the Committee anticipates that there would be room for the $5.5 million cost as a result of the likelihood that the House will not agree to all provisions of S. 13 for which funding is recommended. (See SVAC legislation, below.)

5. A similar proposal is included under SVAC legislation.

6. The cost of the Administration proposal is subsumed in the SVAC-legislation item "Other major Senate-passed health provisions (S. 13)." The Committee is not necessarily disagreeing with the Administration proposal, which has not yet been submitted.

7. A $75.2-million cost is anticipated for SVAC legislation to reform pay for VA doctors. The Committee is not necessarily disagreeing with the Administration proposal, which has not yet been submitted.

8. According to CBO, the first-full-year cost of this item would be $35 million. The figure shown is based on assumed reductions based on a delayed effective date.

9. Combined effects of the Administration's legislative proposals are less than their individual impacts due to offsetting interactions.

10. The Committee does not support this legislation at this time but, rather, is exploring alternatives to outright elimination.

ALAN CRANSTON, CALIFORNIA, CHAIRMAN

SPARK M. MATSUNAGA, HAWAII
DENNIS DeCONCINI, ARIZONA
GEORGE J. MITCHELL, MAINE
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
BOB GRAHAM, FLORIDA

FRANK H. MURKOWSKI, ALASKA
ALAN K. SIMPSON, WYOMING
STROM THURMOND, SOUTH CAROLINA
ARLEN SPECTER, PENNSYLVANIA
JAMES M. JEFFORDS, VERMONT

JONATHAN R. STEINBERG, CHIEF COUNSEL/STAFF DIRECTOR
ALAN C. [illegible], MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 27, 1990

Honorable George Bush
The White House
Washington, D.C. 20500

Dear Mr. President,

We are writing to congratulate you most heartily on your FY 1991 budget request of $12.28 billion for the VA medical care account. This proposal for an 8.4-percent increase over the amount appropriated and available for FY 1990 is very welcome. It will help enable VA to rebuild a program level that has been substantially eroded over the last 20 months.

Although we are delighted that your Administration is taking this positive step toward providing an appropriate level of health-care services to the men and women who served this country, we feel strongly that your request for fiscal 1991 makes it very obvious that there is a critical need right now -- not eight months down the road -- for supplemental funding for the current fiscal year. Thus, we are writing to urge you to extend your commitment to VA health care by submitting an FY 1990 $252.4-million supplemental request to restore the shortfall (resulting from sequestration and a VA miscalculation in personnel costs, as described in the December 22 letter) that was not anticipated when you signed the FY 1990 VA, HUD, and Independent Agencies Appropriations Act into law on November 9, 1989.

As the December 22, 1989, letter to you (copy enclosed) from 41 Senators explained, over the last few years the VA health-care system has been experiencing serious instability, lapses in quality, and significant cutbacks as a result of the start-and-stop funding it has been receiving. Many VA medical centers have been forced to cut back on staff, close beds or even entire wards, shut down innovative and effective programs (like those for drug and alcohol treatment and hospital-based home care), curtail community nursing home placements, postpone activations of completed facilities, and delay -- often for dangerously long time periods -- vital equipment repairs and purchases. Not all hospitals have been affected in the same way; some were in a crisis situation in fiscal 1989 while others began being seriously stretched this past fall. All facilities are experiencing major backlogs in replacement and repair of critical life-saving or life-extending equipment.

There is no question but that the current FY 1990 funding level will mean that tens of thousands of veterans will this year be denied the quality of care -- or denied the care entirely -- that we owe them. Without additional fiscal 1990 funding, the VA health-care system will have to reduce staffing and service levels throughout the year, only then to begin to restore those cuts beginning on October 1 with approval of your FY 1991 request. Such wide swings in resources run directly counter to the goal of building a high-quality, stable staff of health professionals who can work together smoothly.

It would be a cruel hoax on our sick and disabled veterans to dangle an improved health-care system before them if they can only hold on for another 8 months. Many will not survive to gain the benefit of your fiscal 1991 request and others will grow sicker while effective and timely treatment is postponed. That is bad medical care and bad public policy. We are convinced that the VA health-care system cannot furnish a high quality of care unless it is provided consistent as well as adequate funding levels.

We are encouraged by the commitment to the VA health-care system manifested in your FY 1991 medical care budget request, and we urge you as earnestly as we possibly can to fulfill that commitment by submitting an FY 1990 supplemental request of $252.4 million to provide funding now for the level of services that is contemplated for FY 1991 in your budget request.

Thank you for your attention to this important matter.

With warm regards,

Cordially,

Spark M. Matsunaga   Alan Cranston   Dennis DeConcini

John D. Rockefeller, IV   George J. Mitchell   James M. Jeffords

Enclosure

cc: Honorable Edward J. Derwinski
Honorable Barbara A. Mikulski
Honorable Bob Traxler
Honorable Robert C. Byrd
Honorable Jamie L. Whitten
Honorable Richard G. Darman
Honorable Jake Garn
Honorable Bill Green
Honorable Mark O. Hatfield
Honorable Silvio O. Conte

Letter to President Bush
regarding VA medical care
2/27/90
page 3

Daniel K. Inouye

Tom Harkin
Tom Harkin

Alan J. Dixon
Alan J. Dixon

Terry Sanford
Terry Sanford

Tom Daschle
Thomas A. Daschle

Max Baucus
Max Baucus

John Breaux
John Breaux

Harry Reid
Harry Reid

Don Riegle
Donald W. Riegle, Jr.

Brock Adams
Brock Adams

Joe Lieberman
Joseph I. Lieberman

Jeff Bingaman
Jeff Bingaman

Quentin Burdick
Quentin N.Burdick

Richard Shelby
Richard C. Shelby

Dale Bumpers
Dale Bumpers

Bob Graham
Bob Graham

Paul Sarbanes
Paul S. Sarbanes

Paul Simon

Bill Bradley
Bill Bradley

Wendell Ford
Wendell H. Ford

Tim Wirth
Timothy E. Wirth

Clai Pell
Claiborne Pell

Carl Levin
Carl Levin

Daniel Patrick Moynihan

Patrick Leahy
Patrick J. Leahy

Chris Dodd
Christopher J. Dodd

Joe Biden
Joseph R. Biden, Jr.

David L. Boren
David L. Boren

Wyche Fowler Jr.
Wyche Fowler, Jr.

Bill Cohen
William S. Cohen

Howard M. Metzenbaum

Larry Pressler
Larry Pressler

Howell Heflin
Howell Heflin

E. M. Kennedy
Edward M. Kennedy

Al Gore
Albert Gore, Jr.

Lloyd Bentsen
Lloyd Bentsen

James J. Exon

John Glenn
John Glenn

Herb Kohl
Herb Kohl

John F. Kerry

Frank R. Lautenberg

Richard H. Bryan
Richard Bryan

Rudy Boschwitz
Rudy Boschwitz

David Pryor
David Pryor

Arlen Specter
Arlen Specter

Sam Nunn
Sam Nunn

[illegible]

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

March 8, 1990

Honorable Jim Sasser
Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Jim and Pete:

We take this opportunity to pass on to you, under section 301(c) of the Congressional Budget Act of 1974, our FY 91 budget views and estimates for veterans' programs within the jurisdiction of the Committee on Veterans' Affairs.

We have congratulated the President and Secretary Derwinski for being extraordinarily responsive to the needs of our veterans as reflected by the proposed VA budget for FY 91 of a record $30.9 billion.

Taking into account the President's already generous budget, a majority of the Committee members have nonetheless recommended an additional increase for VA programs of approximately $1.3 billion. Without debating the need for or the merits of a proposed increase, we find we cannot agree with them in their intention to use those additional funds with such detailed specificity. We take this position not because we oppose funding veterans' benefits but because we oppose the micromanagement of the Department of Veterans Affairs by the Congress.

If savings are achieved as a result of the so-called "peace dividend" and funds are redirected to domestic programs, we believe that veterans' programs should get their fair share. Furthermore, if the Committee on the Budget is able to find additional resources through other means, we would welcome increased funding for VA programs. We, of course, understand that the most generous system of veterans' benefits and services will have no value if the economy that supports it is crippled by a crushing burden of Federal debt.

We thank you for keeping our views in mind as you develop the budget plan for FY 91.

Sincerely,

Alan K. Simpson

Frank H. Murkowski
Ranking Minority Member

Strom Thurmond
Strom Thurmond

DANIEL K. INOUYE, HAWAII, CHAIRMAN
JOHN McCAIN, ARIZONA, VICE CHAIRMAN

DENNIS DeCONCINI, ARIZONA
QUENTIN N. BURDICK, NORTH DAKOTA
THOMAS A. DASCHLE, SOUTH DAKOTA
KENT CONRAD, NORTH DAKOTA
HARRY REID, NEVADA

FRANK H. MURKOWSKI, ALASKA
THAD COCHRAN, MISSISSIPPI
SLADE GORTON, WASHINGTON

ALAN R. PARKER, STAFF DIRECTOR
PATRICIA M. ZELL, CHIEF COUNSEL
ERIC EBERHARD,
MINORITY STAFF DIRECTOR/COUNSEL

United States Senate
SELECT COMMITTEE ON INDIAN AFFAIRS
WASHINGTON, DC 20510-6450

March 9, 1990

The Honorable Jim Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman and Senator Domenici:

Enclosed please find the report of the Select Committee on Indian Affairs on the President's Budget Request for fiscal year 1991 for Indian programs under the jurisdiction of the Select Committee.

The Senate Select Committee on Indian Affairs has analyzed Federal spending trends for programs for Native Americans compared to similar or identical programs for other Americans. Without question, the results show that Indians, the population group which suffers the worst conditions of unemployment, poor health, inadequate education, and other social and economic problems, are the people who, over the past decade, have also suffered the deepest cuts in federal spending for programs designed for their benefit. As a result, we have concluded that the Congress has an obligation, indeed is compelled by considerations of justice and equity, to provide an increase of one billion dollars over the President's fiscal year 1991 budget request for spending for Indian programs. This proposed increase would be $755 million over the appropriated levels for the current fiscal year.

The current conditions of Indians are undoubtedly due in large measure to the lack of political power of the disparate 310 tribes and 197 Alaska Native villages. But these same powerless First Americans are the very people to whom this government owes the highest responsibility, based on treaties, statutes and case law. About eighty-four percent of the $1 billion increase in spending that the Committee is recommending is for housing, health, and education, which are without question the most critical needs in Indian country.

A recent study completed for the Committee by the Congressional Research Service documents just how far, in constant dollars, overall Indian spending has fallen behind equivalent Federal spending for other citizens. When we project these trends in Federal spending for Indians to the year 2000, on a straight-line basis, we find that the total will fall from $3.2 billion to $1.6 billion in constant 1982 dollars. According to the CRS report, overall education spending has risen 1.27 percent annually while Indian education spending has dropped 3.4 percent every year; overall spending for health has gone up 6.37 percent annually while Indian health expenditures have risen only 3.53 percent annually; and Federal housing spending has increased 2.7 percent per year while Indian housing spending has decreased 9.18 percent annually. At the same time that Federal Indian spending has been decreasing, the Indian service population has nearly doubled. Obviously, this has doubled the negative impact of our budget policies on Indian people. We are attaching the full text of this report and request that it be given serious consideration by the Budget Committee in its deliberations on the 1991 spending levels needed for Indian and Alaska Native programs.

The Select Committee on Indian Affairs is convinced that the time to start to remedy the situation is in this budget year. Therefore, our recommendations for the fiscal year 1991 budget for programs for Indian and Alaska Native people reflect the Committee's commitment to achieving parity for Native Americans in relation to spending for all other U.S. citizens. Generally, the Committee recommends that all programs be funded at their authorized level. For programs where specific dollar amounts are not authorized, such as the Indian School Equalization Program (ISEP) formula for Bureau of Indian Affairs schools, the Committee is recommending a 10 percent increase over 1991 base levels plus a four percent inflation factor. Where appropriate, accompanying narrative information further documents the needed increases. The Committee will ask CRS to review the trends annually to see whether the gap has narrowed and what adjustments will be needed in future years to bring Federal spending for Indian programs into line with comparable Federal spending for other U.S. citizens.

The Select Committee is recommending fiscal year 1991 funding levels for the Bureau of Indian Affairs (Department of the Interior), the Indian Health Service and the Administration for Native Americans (Department of Health and Human Services), the Office of Indian Education and the Impact Aid Office (Department of Education), and the Office of Indian Housing Programs and the Community Development Block Grant Program (Department of Housing and Urban Development). Representatives of each of the Departments appeared before the Committee on February 28, 1990, to discuss the President's 1991 budget for Indian programs within their jurisdictions. The Select Committee on Indian Affairs met in a business session on March 8, 1990, and unanimously approved these recommendations with a quorum present.

We wish to thank you for the opportunity for the Select Committee on Indian Affairs to provide its review and recommendations on the President's Budget for Indian programs for fiscal year 1991 to the Committee on the Budget and look forward to working with you in the coming year.

Finally, in view of the substantial research and analysis that have contributed to the development of our recommendations, we would also like to take this opportunity to request an oversight hearing by the Senate Budget Committee on Federal spending for Indian programs. We would be pleased to present testimony at such a hearing in support of the Indian budget increases we are requesting today.

Sincerely,

John McCain
JOHN MCCAIN
Vice-Chairman

DANIEL K. INOUYE
Chairman

SENATE SELECT COMMITTEE ON INDIAN AFFAIRS

SUMMARY OF RECOMMENDATIONS

(In Thousands)

APPROPRIATION ACCOUNT/ACTIVITY	FY 1990 Enacted	FY 1991 Requested	SSCIA Recommended	+/- From Request	+/- From 1990
DEPARTMENT OF THE INTERIOR:					
Bureau of Indian Affairs	1,371,191	1,185,178	1,417,626	232,448	46,435
DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Indian Health Services	1,265,656	1,295,080	1,725,454	430,374	459,798
Administration for Native Americans	31,711	31,711	45,000	13,289	13,289
DEPARTMENT OF EDUCATION:					
Office of Indian Education	70,308	69,611	110,500	40,889	40,192
Impact Aid	593,500	605,500	685,490	80,990	92,990
DEPARTMENT OF HOUSING AND URBAN DEV.:					
Indian Housing	136,099	0	224,000	224,000	87,901
National Commission on American Indian, Alaska Native and Native Hawaiian Housing	0	0	500	500	500
Community Development Block Grant	27,000	27,000	32,000	5,000	5,000
TOTAL	3,495,465	3,214,080	4,240,570	1,035,490	755,105

DEPARTMENT OF INTERIOR

BUREAU OF INDIAN AFFAIRS

The BIA has a central office in Washington, D.C. However, the majority of headquarters staff work is done in Albuquerque, New Mexico, with "smaller staff contingents" in other states. In addition, there are 12 area offices, 83 agency offices, 3 sub-agency offices, 6 field stations, 3 irrigation project offices, 2 post-secondary schools, 111 day schools, 57 boarding schools, and 14 dormitories. Of the total schools, 78 are operated by tribes under P.L. 93-638 contracts or the tribally controlled schools grant program.

The BIA serves 949,000 Indians, Eskimos, and Aleuts in 31 states; there are 310 Indian tribes in the "lower 48" and 197 Alaska Native entities. The BIA administers 42,385,031 acres of tribal lands; 10,226,180 acres of individual Indian lands, and 442,755 acres of Federally owned land.

The President's budget request for all BIA programs for fiscal year 1991 is $1.185 billion which is $186 million below the fiscal year 1990 appropriated level. The decrease from 1990 is caused almost entirely by two large one-time appropriations in the 1990 spending bill that together amount to over $184 million ($54 million for conversion of 638 contracts from fiscal year to calendar year basis and over $130 million in one time spending to settle certain land and water claims). The BIA budget (including trust fund operations and the Bureau's portion of construction funding) comprises 25 percent of the total budget of the Department of the Interior.

Operation of Indian Programs

The single largest part of the BIA budget (86 percent) goes to Operation of Indian Programs (OIP) for which $1,018,185,000 is requested in fiscal year 1991. The President's budget proposes an increase of $30.386 million from the fiscal year 1990 appropriation level. Of the $30 million increase, about $10.3 million is proposed to be added to the education item, $12.1 million to tribal services, $6.3 million to trust responsibilities, and $8.5 million to general administration, with a $6.9 million reduction proposed for natural resources development. A $5 million increase is spread throughout the OIP functions for Federal and P.L. 93-638 pay increases. This will pay 40 percent of the expected pay cost increase for 1991; the remaining 60 percent ($7.5 million) is proposed to be absorbed by programs, as was the $10 million pay increase of 1990.

Of the entire OIP budget, the largest funding category is education for which $313,290,000 is requested (31 percent). The next largest program is tribal services (tribal government, social services, law enforcement, self-determination, and employment development) for which $302,181,000 or 30 percent is requested. The third largest budget item in OIP is natural resources development (forestry, agriculture, minerals and mining) for which $119,831,000 or 12 percent of the total OIP budget is requested. The fourth largest item is general administration (management, ADP, employee compensation, training) for which $112,062,000 or 11 percent of the total OIP budget is requested. Facilities management, another administrative function, requires 8 percent or $87,161,000. The remaining 8 percent of the OIP budget is allocated to Navajo-Hopi settlement ($1,027,000), economic development ($14,544,000), and trust responsibilities such as rights protection, real estate and financial trust management ($68,089,000).

Tribe/Agency operations for all of the activities in OIP (except Navajo-Hopi settlement and facilities management for which there is no tribe/agency item) account for a total of $280,454,000 or 27 percent.

The Committee recommends the following dollar increases (+) and decreases () in the OIP programs, including the Tribe/Agency accounts as shown (a "0" indicates that the Committee has no recommendation for an increase or decrease from the 1991 base and/or the 1991 request):

	Increase From 1991 Base	Increase From Adm. Request
General Pay Cost Increases	+$17,500,000	+$17,500,000
Forward Funding for Education	39,000,000	39,000,000
Education		
School Operations	+$30,200,000	+$14,162,000
Johnson-O'Malley	3,300,000	6,400,000
Continuing Education	25,900,000	27,423,000
Tribal Services		
Govt Services	1,000,000	(56,000)
Social Services	13,200,000	14,500,000
Law Enforcement	700,000	(435,000)
Self-Determination	6,400,000	3,013,000
Employment Development	400,000	1,360,000
Navajo/Hopi Settlement Program	0	0
Economic Development		
Business Enterprise Dev.	1,500,000	1,407,000

Natural Resources Development		
Forestry & Agriculture	9,300,000	14,270,000
Minerals & Mining	700,000	1,457,000
Trust Responsibilities		
Rights Protection	2,400,000	1,745,000
Real Estate/Financial Trust	2,900,000	(2,978,000)
Facilities Management	12,200,000	12,442,000
General Administration		
Mgmt and Administration	0	(3,532)
ADP Services	0	(2,350)
Employee Compensation	0	0
Program Mgmt	0	(800)
Consolidated Training Prog.	0	(200)
Tribe/Agency		
Education	4,500,000	5,598,000
Tribal Services	18,900,000	9,381,000
Economic Development	500,000	409,000
Natural Resources Dev.	7,700,000	8,932,000
Trust Responsibilities	3,400,000	3,539,000
General Administration	3,000,000	1,324,000
Total Increases - OIP	+$204,600,000	+$173,521,000

1990-1991 Pay Increases: The Committee recommends $17.5 million be added to cover the costs of Federal pay increases. This will restore programs to 1989 levels--$10 million for the amounts being absorbed by programs in fiscal year 1990 and $7.5 million for the anticipated shortfall to be caused by the pay increase in fiscal year 1991. Most of these funds will be distributed throughout the OIP account and some will be used for the Construction account.

Forward Funding for Education: The Committee is recommending a one-time budget outlay of $39 million in fiscal year 1991 to forward fund all BIA education funding. Federal education dollars to other school districts are made available in advance to provide for proper planning and administration. Such advance planning is sorely missing in schools funded by the BIA for which funds are often not made available until well beyond the start of the school year. This funding situation hampers the ability of the BIA to retain quality teachers because they cannot enter into long-term contracts given the instability of the funding source. The Congress authorized advance and forward funding in 25 U.S.C.

1129(a)(2) and (3), P.L. 98-511. Attached is a CBO memorandum and chart that analyzes the budget effects of changing the appropriations for the BIA education programs from a current-year funding basis to a forward-year funding basis.

Education: The Committee is recommending a total increase of $53.6 million over the President's Budget request. Of this amount, $14.2 million is requested for school operations. The Committee recommends that the amount of $800,000 be restored to the student transportation account, that the transportation account be retained as a separate budget item, and that a minimum rate of $1.38 per mile be established. Within the recommended amounts, the base funding for the Indian School Equalization Program (ISEP) formula ($1.181 million proposed cut) can be restored and the weighted student unit (WSU) formula funding can be increased; the recent decreases in element 10 education personnel funding can be restored; the proposed reduction in funding of $500,000 for substance abuse counselors can be restored; and non-professional staff employed in Indian education programs can be upgraded. Three separate studies are necessary in order for the BIA to fully measure the quality of the education being provided to students in BIA funded schools. These would include a study on high school dropouts in Indian schools, a study of achievement levels of Indian elementary and secondary students in Bureau funded schools, and a study of spending patterns in BIA funded schools as contrasted with comparable public schools.

The Johnson-O'Malley base program will be restored to 1990 levels with a 14 percent increase. This increase will begin to bring this program up to the actual dollar levels of the early 1980s.

For continuing education, the recommended amount includes the full authorization of $5,820 per WSU for Tribally Controlled Community Colleges that receive funding under Title I of the Tribally Controlled Community Colleges Act. The recommended amount is based on an expected enrollment of 5,000 ISC (Indian Student Count) in fiscal year 1991. In addition, the full authorized endowment level of $5 million is requested for the colleges. The Navajo Community College has an open authorization and the Committee is recommending a 14 percent increase over the 1990 level of funding for this college. Funds will be sufficient for an increase over the 1990 funding levels for Haskell and SIPI and the Haskell summer school program should be restored. Increases in the Tribe/Agency account are needed for higher education scholarships and for adult education.

Tribal Services: The recommended increase of $27.8 million would restore all programs to the 1990 base and make significant increases in the social services line item and the Tribe/Agency account. The increase will prevent shortfalls in General Assistance. At least $3 million of the increase should be targeted to the Indian Child Welfare Grants program which has been underfunded for many years. Of the proposed $9.3 million increase recommended for Tribe/Agency programs, $2 million should be targeted to tribal courts; $2 million for staffing juvenile detention centers, and $4.3 million should restore the other Aid to Tribal government projects for which the Administration requested a significant decrease. Any remaining increases should be targeted to adult vocational training programs. Under the tribal government services sub-activity, new tribes funding should include the San Juan Southern Paiute Tribe which was recognized in December 1989. In addition, $5 million should be equitably apportioned to tribes recognized since 1971 to upgrade the base funding for these tribes. A study on funding needs for these tribes should be undertaken and a report made to Congress. Funding should be restored for the Self-Governance Demonstration Project authorized by title III of P.L. 93-638 as amended.

Natural Resources Development: A very significant increase being recommended by the Committee is the $24.7 million increase in this account where the Administration proposes a $5.8 million reduction from the 1991 base. In addition to restoring all base amounts where needed, the additional funding would allow increases in water development, management, and planning activities, rights protection implementation activities, funding for the Council of Energy Resource Tribes, and continuation of the woodland management program. In addition, $300,000 should be used to contract with the Intertribal Agriculture Council for the purpose of conducting the annual Indian Agriculture Symposium and other appropriate activities, including agricultural development and marketing analysis and development.

Trust Responsibilities: The additional funding of $1.7 million for rights protection should be used for needed cleanup and other environmental activities on sites in Indian country and for water rights negotiation and litigation activities. Additional funds will be needed for solid waste landfills in Indian country because of the potential exposure of the United States in light of the holding in the Blue Legs case (Blue Legs v. EPA, U.S. District Court, WD of South Dakota, Civ. 85-5097).

Construction

The Administration's request for this account is $103,099,000, a $35.127 million decrease from the fiscal year 1990 appropriated level. The Committee recommends the following increases in the Construction programs funded through the Bureau of Indian Affairs:

	Increase/Decrease from Request
Irrigation	+$31,265,000
Buildings/Utilities	8,617,000
Housing	5,339,000
Roads	(1,309,000)
Contract Support	4,215,000
	+$48,127,000

The Committee disagrees in the strongest terms with the proposal to transfer the BIA's safety of dams program to the Bureau of Reclamation. Tribes that contract under the 638 self-determination program for the operation and maintenance of dams are uncertain about the contractibility of the programs if the responsibility is transferred to the Bureau of Reclamation. In spite of their strong concerns and desire for input into the decision process, tribes have not been consulted on the proposed transfer. The program should remain in the Bureau of Indian Affairs with a funding level of $9 million.

The Committee supports use of Housing Improvement Program money for new construction, which would not be allowed under the Administration's budget request. This construction is necessary in cases of emergency and in special circumstances where HUD's Indian housing program cannot be utilized. Given the tremendous need for new and rehabilitated housing in Indian country, the proposed cuts in this program are simply unconscionable.

Loan Guaranty

The Administration is requesting $11,487,000 for this program in 1991. The Committee is recommending an additional $10 million for bond guarantees. The Committee has been informed that regulations to administer a new taxable bond guarantee program will be completed by the beginning of fiscal year 1991. The authority for this program was provided in the 100th Congress as part of amendments to the 1974 Indian Financing Act. However, funds to serve as a loss reserve were not requested in fiscal year 1990 due to the lack of regulations. These funds will enable the Administration to support the efforts of Indian tribes to finance larger scale business enterprises with greater efficiency as compared to loan guarantees. The $10 million will enable the Administration to guarantee up to $200 million in bond issues.

Miscellaneous Payments to Indians

The Administration is requesting $51,684,000 to carry out the terms of legislation settling various Indian claims to land and water. The Committee agrees with the requested funding levels for fiscal year 1991.

Navajo Rehabilitation Trust Fund

The Administration has requested no funds for this program in fiscal year 1991 because the $800,000 made available in 1990 is not yet obligated. However, the Committee is recommending funding in fiscal year 1991 of $800,000 in anticipation of the early obligation of the $800,000 now available.

SUMMARY - ALL BIA FUNDING

The following summary table shows the 1990 enacted level, the 1991 level requested by the Administration, the difference in the two years, the Select Committee's recommended funding level, and the difference between the recommended funding level and the 1990 enacted appropriation for these programs. The table shows a recommended increase of $46,435,000 above the 1990 appropriation level.

SUMMARY - BUREAU OF INDIAN AFFAIRS
(In thousands of dollars)

APPROPRIATION	FY1990 Enacted	FY 1991 Requested	+/- From FY 90	Senate Select Recommended	+/- From Request	+/- From Enacted
Operation of Indian Programs	1,035,534	1,018,185	(17,349)	1,191,706	173,521	156,172
Construction	138,226	103,099	(35,127)	151,226	48,127	13,000
Miscellaneous Payments to Indians	191,864	52,407	(139,457)	52,407	0	(139,457)
Loan Guarantees	4,767	11,487	6,720	21,487	10,000	16,720
Navajo Rehabilitation	800	0	(800)	800	800	0
Subtotal, Appropriations requested	1,371,191	1,185,178	(186,013)	1,417,626	232,448	46,435

The following comprehensive table shows the fiscal year 1990 enacted amount, the fiscal year 1991 requested amount, the difference between the two amounts, the recommended levels of the Senate Select Committee on Indian Affairs, and the difference between the recommended level of funding and the Administration's request. The table shows a recommended increase of $232,448,000 over the President's request.

BUREAU OF INDIAN AFFAIRS

OPERATION OF INDIAN PROGRAMS (OIP)
(In thousands of dollars)

APPROPRIATION ACCOUNT/ACTIVITY	FY 1990 Enacted	FY 1991 Requested	+/- From FY 90	Senate Select Recommended	+/- From Admin.
EDUCATION:					
School Operations	200,790	231,948	31,158	246,110	14,162
Johnson-O'Malley	23,572	20,548	(3,024)	26,948	6,400
Continuing Education	30,880	29,672	(1,208)	57,095	27,423
Tribe/Agency Operations	32,142	31,122	(1,020)	36,720	5,598
Subtotal, Education	287,384	313,290	25,906	366,873	53,583
TRIBAL SERVICES:					
Tribal Government Services	7,226	7,847	621	7,791	(56)
Social Services	92,588	93,128	540	107,628	14,500
Law Enforcement	4,880	5,373	493	4,938	(435)
Self-Determination Services	58,626	49,366	(9,260)	52,379	3,013
Employment Development	3,059	2,116	(943)	3,476	1,360
Tribe/Agency Operations	132,785	144,351	11,566	153,732	9,381
Subtotal, Tribal Services	299,164	302,181	3,017	329,944	27,763
NAVAJO/HOPI SETTLEMENT PROGRAM	1,002	1,027	25	1,027	0
ECONOMIC DEVELOPMENT:					
Business Enterprise Development	10,748	10,866	118	12,273	1,407
Tribe/Agency Operations	3,542	3,678	136	4,087	409
Subtotal, Economic Development	14,290	14,544	254	16,360	1,816
NATURAL RESOURCES DEVELOPMENT:					
Forestry & Agriculture	65,871	61,311	(4,560)	75,581	14,270
Minerals & Mining	5,386	4,557	(829)	6,014	1,457
Tribe/Agency Operations	54,462	53,963	(499)	62,895	8,932
Subtotal, Nat. Res. Dev.	125,719	119,831	(5,888)	144,490	24,659

APPROPRIATION ACCOUNT/ACTIVITY	FY 1990 Enacted	FY 1991 Requested	+/- From FY 90	Senate Select Recommended	+/- From Admin.
TRUST RESPONSIBILITIES:					
Indian Rights Protection	16,743	17,560	817	19,305	1,745
Real Estate/Financial Trust	20,112	26,248	6,136	23,280	(2,968)
Tribe/Agency Operations	23,930	24,281	351	27,820	3,539
Subtotal, Trust Respons.	60,785	68,089	7,304	70,405	2,316
FACILITIES MANAGEMENT	85,792	87,161	1,369	99,603	12,442
GENERAL ADMINISTRATION:					
Management & Administration	42,106	48,096	5,990	44,564	(3,532)
ADP Services	18,203	20,663	2,460	18,313	(2,350)
Employee Compensation Pmts.	18,481	11,449	(7,032)	11,449	0
Program Management	6,931	7,755	824	6,955	(800)
Consolidated Training Pgms.	840	1,040	200	840	(200)
Tribe/Agency Operations	20,837	23,059	2,222	24,383	1,324
Subtotal, General Admin.	107,398	112,062	4,664	106,504	(5,558)
Calendar Year Contracting	54,000	0	(54,000)	0	0
Education Forward Funding	0	0	0	39,000	39,000
Pay cost Increases	0	0	0	17,500	17,500
Subtotal	54,000	0	(54,000)	56,500	56,500
Total, OIP	1,035,534	1,018,185	(17,349)	1,191,706	173,521

CONSTRUCTION
(In thousands of dollars)

APPROPRIATION ACCOUNT/ACTIVITY	FY 1990 Enacted	FY 1991 Requested	+/- From FY 90	Senate Select Recommended	+/- From Admin.
Irrigation	29,575	2,310	(27,265)	33,575	31,265
Buildings/Utilities	38,475	35,258	(3,217)	43,875	8,617
Fish Hatcheries	1,600	0	(1,600)	0	0
Land Acquisition	4,200	0	(4,200)	0	
Employee Housing	500	1,000	500	1,000	0
Housing	22,463	20,224	(2,239)	25,563	5,339
Roads	31,598	37,307	5,709	35,998	(1,309)
Contract Support	9,815	7,000	(2,815)	11,215	4,215
Total Construction	138,226	103,099	(35,127)	151,226	48,127

MISCELLANEOUS PAYMENTS

MISC. PAYMENTS TO INDIANS	191,864	52,407	(139,457)	52,407	0

LOAN GUARANTY

LOAN GUARANTY	4,767	11,487	6,720	21,487	10,000

NAVAJO REHAB FUND

NAVAJO REHAB FUND	800	0	(800)	800	800

TOTAL APPROPRIATION	1,371,191	1,185,178	(186,013)	1,417,626	232,448

BUREAU OF INDIAN AFFAIRS

OPERATION OF INDIAN PROGRAMS (OPI)
(In thousands of dollars)

APPROPRIATION ACCOUNT/ACTIVITY	FY 1990 Enacted	Senate Select Recommended	FY 1992	FY 1993	FY 1994	FY 1995
EDUCATION:						
School Operations	200,790	246,110	255,954	266,193	276,840	287,914
Johnson-O'Malley	23,572	26,948	28,026	29,147	30,313	31,525
Continuing Education	30,800	57,095	59,379	61,754	64,224	66,793
Tribe/Agency Operations	32,142	36,720	38,189	39,716	41,305	42,957
Subtotal, Education	287,304	366,873	381,548	396,810	412,682	429,190
TRIBAL SERVICES:						
Tribal Government Services	7,226	7,791	8,193	8,427	8,764	9,114
Social Services	92,500	107,620	111,933	116,410	121,067	125,910
Law Enforcement	4,800	4,938	5,136	5,341	5,555	5,777
Self-Determination Services	58,626	52,379	54,474	56,653	58,919	61,276
Employment Development	3,059	3,476	3,615	3,760	3,910	4,066
Tribe/Agency Operations	132,705	153,732	159,881	166,277	172,928	179,845
Subtotal, Tribal Services	299,164	329,944	343,142	356,867	371,142	385,988
NAVAJO/HOPI SETTLEMENT PROGRAM	1,002	1,027	1,068	1,111	1,155	1,201
ECONOMIC DEVELOPMENT:						
Business Enterprise Development	10,748	12,273	12,764	13,274	13,805	14,358
Tribe/Agency Operations	3,542	4,087	4,250	4,420	4,597	4,781
Subtotal, Economic Development	14,290	16,360	17,014	17,695	18,403	19,139
NATURAL RESOURCES DEVELOPMENT:						
Forestry & Agriculture	65,871	75,501	78,604	81,748	85,018	88,419
Minerals & Mining	5,386	6,014	6,255	6,505	6,765	7,036
Tribe/Agency Operations	54,462	62,895	65,411	68,027	70,748	73,578
Subtotal, Nat. Res. Dev.	125,719	144,410	150,270	156,280	162,532	169,033

APPROPRIATION ACCOUNT/ACTIVITY	FY 1990 Enacted	Senate Select Recommended	FY 1992	FY 1993	FY 1994	FY 1995
TRUST RESPONSIBILITIES:						
Indian Rights Protection	16,743	19,385	20,077	20,880	21,715	22,584
Real Estate/Financial Trust	20,112	23,200	24,211	25,180	26,187	27,234
Tribe/Agency Operations	23,930	27,820	28,933	30,090	31,294	32,546
Subtotal, Trust Respons.	60,785	70,405	73,221	76,150	79,196	82,364
FACILITIES MANAGEMENT	85,782	99,603	103,587	107,731	112,040	116,521
GENERAL ADMINISTRATION:						
Management & Administration	42,106	44,564	46,347	48,200	50,128	52,134
ADP Services	18,203	18,313	19,046	19,807	20,600	21,424
Employee Compensation Pmts.	10,481	11,449	11,907	12,383	12,879	13,394
Program Management	6,931	6,955	7,233	7,523	7,823	8,136
Consolidated Training Pgms.	840	840	874	909	945	983
Tribe/Agency Operations	28,837	24,383	25,358	26,373	27,428	28,525
Subtotal, General Admin.	107,398	106,504	110,764	115,195	119,803	124,595
Calendar Year Contracting	54,000	0	0	0	0	0
Education Forward Funding	0	39,000	40,560	42,182	43,870	45,624
Pay cost Incareases	0	17,500	18,200	18,928	19,685	20,473
Subtotal	54,000	56,500	58,760	61,110	63,555	66,097
Total, OIP	1,035,534	1,191,706	1,239,374	1,288,949	1,346,507	1,394,127

APPROPRIATION ACCOUNT/ACTIVITY	FY 1990 Enacted	Senate Select Recommended	FY 1992	FY 1993	FY 1994	FY 1995
Irrigation	29,575	33,575	34,918	36,315	37,767	39,278
Buildings/Utilities	38,475	43,875	45,630	47,455	49,353	51,328
Fish Hatcheries	1,600	0	0	0	0	0
Land Acquisition	4,200	0	0	0	0	0
Employee Housing	500	1,000	1,040	1,082	1,125	1,170
Housing	22,463	25,563	26,586	27,649	28,755	29,905
Roads	31,598	35,998	37,438	38,935	40,493	42,113
Contract Support	9,815	11,215	11,664	12,130	12,615	13,120
Total Construction	138,226	151,226	157,275	163,566	170,109	176,913
MISC. PAYMENTS TO INDIANS	191,864	52,467	54,503	56,683	58,951	61,309
LOAN GUARANTY	4,767	21,487	22,346	23,240	24,170	25,137
NAVAJO REHAB FUND	800	800	832	865	900	936
TOTAL APPROPRIATION	1,371,191	1,417,626	1,474,331	1,533,304	1,594,636	1,658,422

DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDIAN HEALTH SERVICE BUDGET

The Indian Health Service (IHS) is the Federal agency primarily responsible for raising to the highest level possible the health of American Indians and Alaska Natives by providing a full range of curative, preventive and rehabilitative health services. IHS serves a growing population of approximately 1 million members of Federally-recognized tribes who live on or near reservations, or in traditional Indian country, such as Oklahoma and Alaska. Direct health services are provided through the operation of 43 hospitals, 66 health centers, 5 school health centers, and approximately 100 smaller health stations and satellite clinics. The tribal health delivery system which is administered by tribes and tribal groups through contracts with IHS, includes 7 hospitals, 73 health centers, 2 school health centers and approximately 250 smaller health stations and clinics. As with the BIA, the primary legislative authority for IHS programs is the Snyder Act. Additional legislative authority for IHS programs is contained in the Indian Health Care Improvement Act of 1976 and subsequent amendments to that Act.

In fiscal year 1990 Congress appropriated $1,256,906,000 for the IHS, which included $1,185,910,000 for Indian Health Services and $70,996,000 for Indian Health Facilities. The President's budget for fiscal year 1991 proposes a total of $1,295,080,000 for the IHS. This represents an increase of $38,174,000 for the health care services operated directly by the Indian Health Service and for contract care. While the Administration proposes a 3.2 percent increase in the IHS, the increase will not allow the Indian Health Service to keep pace with the 8.4 percent increase in the costs of providing medical care as projected by the Congressional Research Service based upon the Consumer Price Index.

The Committee recommends a total appropriation of $1,725,454,000 in fiscal year 1991, including $1,504,126,000 for Indian Health Services and $221,328,000 for Indian Health Facilities, a 35 percent increase over the fiscal year 1990 appropriation. The increases recommended by the Committee are authorized under three recent Acts: P.L. 100-713, the Indian Health Care Amendments of 1988; P.L. 100-690, the Anti-Drug Abuse Act of 1988; and, P.L. 100-452, the Indian Self Determination and Education Assistance Amendments of 1988. In addition to these authorized increases, the base IHS budget has been increased to: 1) fully restore the program absorptions/decreases resulting from fiscal year 1990 (3.5 percent) and fiscal year 1991 (3.6 percent) Pay Act increases; 2) restore the funding lost in the fiscal year 1990 Sequestration Order; 3) allow for the increased cost of growth in the IHS patient population (2.7 percent annually), and 4) recapture the funding decreases resulting from inflation (8 percent) in order to maintain the fiscal year 1989 levels of care.

A more detailed program by program breakdown of these proposed increases and a narrative explanation of the changes and certain budget policy initiatives follows:

INDIAN HEALTH SERVICE
Comparison of FY 1990 & 1991 Budgets

APPROPRIATION ACCOUNT/ACTIVITY (In thousands)	FY 1990 Adjusted Appropriation	FY 1991 Requested	+/- Difference From FY 90	SENATE SELECT Recommended	+/- Difference From Admin.
CLINICAL SERVICES					
Hospitals & Clinics	694,173	757,988	63,815	867,749	109,761
Dental Health	32,939	36,000	3,061	55,968	19,968
Mental Health	21,244	22,798	1,554	31,917	9,119
Alcoholism	33,044	34,880	1,836	44,246	9,366
Maintenance & Repair	12,025	12,420	395	13,701	1,281
Contract Health Services	237,647	250,794	13,147	282,557	31,763
Clinical Subtotal	1,031,072	1,114,880	83,808	1,296,138	181,258
PREVENTIVE HEALTH					
Sanitation	25,571	27,576	2,005	29,255	1,679
Public Health Nursing	15,025	16,462	1,437	17,405	943
Health Education	4,822	5,196	374	11,262	6,066
Community Health Rep.	31,085	32,826	1,741	34,734	1,908
Hepatitis	1,127	1,188	61	1,243	55
Preventive Subtotal	77,630	83,248	5,618	93,899	10,651
URBAN HEALTH	13,049	14,129	1,080	17,905	3,776
HEALTH MANPOWER	9,540	12,600	3,060	35,066	22,466
TRIBAL MANAGEMENT	2,562	4,131	1,569	4,402	271
DIRECT OPERATIONS	44,484	49,936	5,452	53,696	3,760
Services Subtotal	1,178,337	1,278,924	100,587	1,501,126	222,202
OPERATION AND MAINTENANCE OF QUARTERS	3,000	3,000	0	3,000	0
Services Total	1,181,337	1,281,924	100,587	1,504,126	222,202
INDIAN HEALTH FACILITIES					
Hospitals	3,359	3,156	(203)	60,063	56,907
Repair & Improvement	9,880	10,000	120	10,000	0
Outpatient Facilities	15,949	0	(15,949)	9,308	9,308
Personnel Quarters	12,518	0	(12,518)	12,457	12,457
Regional Treatment Centers	1,500	0	(1,500)	4,500	4,500
Sanitation Facilities	30,627	0	(30,627)	125,000	125,000
Unobligated Balance Offset	(700)	0	700	0	0
Facilities Total	73,133	13,156	(59,977)	221,328	208,172
GRAND TOTAL	1,254,470	1,295,080	40,610	1,725,454	430,374

INDIAN HEALTH SERVICE
CBO Out-year Projections

APPROPRIATION ACCOUNT/ACTIVITY (In thousands)	FY 1990 Adjusted Appropriation	SENATE SELECT Recommended FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
CLINICAL SERVICES						
Hospitals & Clinics	694,173	867,749	904,194	942,171	981.742	1,022,975
Dental Health	32,939	55,968	58,319	60,768	63,320	65.980
Mental Health	21,244	31,917	33,258	34,654	36,110	37,626
Alcoholism	33,044	44,246	46,104	48,041	50.058	52,161
Maintenance & Repair	12,025	13,701	14,276	14,876	15.501	16,152
Contract Health Services	237,647	282,557	294,424	306,790	319,675	333,102
Clinical Subtotal	1,031,072	1,296,138	1,350,576	1,407,300	1,466,407	1,527,996
PREVENTIVE HEALTH						
Sanitation	25,571	29,255	30,484	31,764	33.098	34,488
Public Health Nursing	15,025	17,405	18,136	18,898	19.691	20,518
Health Education	4,822	11,262	11,735	12,228	12,741	13,277
Community Health Rep.	31,085	34,734	36,193	37,713	39,297	40,947
Hepatitis	1,127	1,243	1,295	1,350	1,408	1,465
Preventive Subtotal	77,630	93,899	97,843	101,952	106,234	110,698
URBAN HEALTH	13,049	17,905	18,657	19,441	20,257	21,108
HEALTH MANPOWER	9,540	35,086	36,560	38,095	39,695	41,362
TRIBAL MANAGEMENT	2,582	4,402	4.587	4,780	4,980	5,189
DIRECT OPERATIONS	44,484	53,696	55,951	58,301	60.750	63,301
Services Subtotal	1,178,337	1,501,126	1,564,173	1,629,869	1,698,323	1,769,653
OPERATION AND MAINTENANCE OF QUARTERS	3,000	3,000	3,126	3,257	3,394	3,537
Services Total	1,181,337	1,504,126	1,567,299	1,633,126	1,701,717	1,773,189
INDIAN HEALTH FACILITIES						
Hospitals	3,359	60,063	62,586	65,214	67.953	70,807
Repair & Improvement	9,880	10,000	10.420	10,858	11,314	11,789
Outpatient Facilities	15,949	9,308	9,699	10,106	10.531	10,973
Personnel Quarters	12,518	12,457	12,980	13,525	14,093	14,655
Regional Treatment Centers	1,500	4,500	4,689	4,886	5,091	5,305
Sanitation Facilities	30.627	125,000	130,250	135,721	141,421	147,360
Unobligated Balance Offset	(700)	0	0	0	0	0
Facilities Total	73,133	221,328	230,624	240,310	250,403	260,920
GRAND TOTAL	1,254,470	1,725.454	1,797,923	1,873,436	1.952,120	2,034,109

HEALTH DELIVERY SYSTEMS

CLINICAL SERVICES. The Committee is recommending that Hospitals and Clinics receive an increase of $109,761,000 over the Administration's request to fully fund the programs authorized under newly enacted public laws and to restore the decreases resulting from Pay Act increases. These increases are applied in the following areas:

Indian Health Care Improvement Act Fund. Section 201 of P.L. 100-713 authorizes the appropriation of $19,000,000 in fiscal year 1991 to address tribal health resource deficiencies by bringing those hospitals and clinics which are operating with less than 60 percent of the resources to an equitable level with other facilities. About $540 million is needed to bring all programs to a non-deficient level. The Committee recommends that $19 million be added to the Hospitals and Clinics base budget in fiscal year 1991 and sustained in future fiscal years. The Committee understands that the IHS is developing a new resource allocation methodology for distributing the funds appropriated in fiscal year 1990 and is concerned that an equitable distribution may not be achieved without increased tribal consultation.

Fiscal year 1990 and Fiscal year 1991 Pay Act Increases. As stated earlier, in fiscal year 1990 tribal and IHS health programs had to absorb the entire cost of the 1990 Pay Act increase of 3.5 percent or $12,345,000 effective on January 1, 1990. While IHS has built into the fiscal year 1991 budget request an increase to cover the ongoing costs of the fiscal year 1990 pay raise, 50 percent of the proposed funding for the fiscal year 1991 Pay Act increase will have to be absorbed by programs which will result in a reduction of services. To recapture the decreases resulting from such absorptions, the Committee recommends that $15,773,000 be added to the base IHS budget in fiscal year 1991 under the Clinical Services budget activity.

Special Pay for Physicians. In fiscal year 1990, the Department of Defense authorized a number of special pay provisions for Commission Corps physicians to enhance recruitment and retention efforts. The increase for IHS Commission Corps Physicians totalled $10,032 million and was not budgeted in fiscal year 1990 or added to the base in fiscal year 1991. The Committee recommends that this amount be added to the fiscal year 1991 request to ensure that IHS doctors are paid at the same salary levels as physicians in other Federal agencies.

1988 Amendments to the Omnibus Anti-Drug Abuse Act. The Committee recommends that full funding for programs authorized under P.L. 100-690 be included in the fiscal year 1991 budget within Clinical

Services. These increases include: $697,000 for Training and Community Education; $1,000,000 for ongoing development of Tribal Action Plans; and, $1,303,000 for Rehabilitation and Aftercare. Further, the Committee recommends an increase of $4,720,000 in Contract Health Care funding to assist youth and their families seeking treatment for alcoholism and substance abuse.

Dental Health. An increase of $3.1 million has been proposed by the IHS for dental care, for a total request of $36 million in fiscal year 1991. Most of the increase will be utilized for Pay Act absorptions and 15 additional FTEs. The Indian Health Service acknowledges that Indians are only half as likely to receive dental care as the all other races of the population. The incidence of dental decay among Indian people is twice the national average. The fiscal year 1991 request will only maintain service at the fiscal year 1990 level. In view of the documented need, the Committee recommends an increase of $18 million over the fiscal year 1991 request.

Mental Health. During the first session of the 101st Congress, the Office of Technology Assessment conducted a study on the Mental Health needs of Indian children and adolescents. The study found that Indian adolescents have more serious mental health problems, in a number of categories, than any other group in the U.S. population. Despite the severity of mental health problems only 17 mental health workers trained to work with children or adolescents are available to address the needs of more than 400,000 Indian youth. The Committee is advised that if this situation is to be corrected, at least 200 more mental health workers are needed to achieve parity with the non-Indian population. In view of this data, the Committee recommends that $8,000,000 be added to the Mental Health budget to address these needs. In anticipation of enactment by Congress during fiscal yar 1990 of S. 1270, the Indian Mental Health Grant Demonstration Program, the Committee recommends that $6 million of this increase be available to address activities under S. 1270.

Unfunded Cost of Growth in the Patient Population. In the interest of sustaining the same level of care in fiscal year 1991 as that which was provided in fiscal year 1989, the Committee recommends that the growing number of IHS patients and the associated costs for this increasing population be added to the IHS budget. IHS data indicates that the IHS service population continues to grow at the rate of 2.7 percent per year. The Committee recommendation includes an increase of $46,127,000 in fiscal year 1991 in the Hospital and Health Clinics line item and in Contract Care.

Unbudgeted Inflationary **Costs**. The fiscal year 1991 Budget request only allows for a 3.2 percent increase, while the Consumer Price Index for medical care costs is set at 8.4 percent. To adjust for the increased inflationary needs of the Clinical Services programs realized in fiscal year 1990 and projected in fiscal year 1991, the Committee recommends that $36,318,000 be added to the base IHS budget in fiscal year 1991.

Community Health Aid Program. (CHAP) Although the IHS budget does not identify the CHAP as a separate line item, it is understood that the Hospital and Clinics program includes $15,500,000 for this program. The Alaska Native Health Board estimates that $28.7 million is needed annually for three years to meet the training needs of 448 FTEs in the CHAP program. The Committee intends to address these concerns in fiscal year 1991.

Acquired Immune Deficiency Syndrome (AIDS) Programs. The IHS has recommended an increase of $663,000 for the AIDS programs under the Hospital and Clinics program. The Committee has been advised that the incidence of AIDS has tripled in the past two years since December 1987, from 56 Indians to 157 Indians diagnosed with AIDS. When this program was originally funded in fiscal year 1988 the Congress and the IHS appropriated $800,000 to initiate the program. It is recommended that the AIDS program effort be funded at $2,407,000 in fiscal year 1991, with $776,000 available in the Health Education line item to address prevention efforts in tribal and village communities and $728,000 available under the Hospitals and Clinics budget to address drug and other treatment costs. The remaining $903,000 is to be added to the Urban Health line item for addressing prevention and treatment efforts in urban Indian communities.

Fetal Alcohol Syndrome and Fetal Alcohol Effect.(FAS/FAE) The IHS budget includes $1,132,000 for prevention of FAS and states that the incidence of FAS appears to be high as compared to the national incidence of FAS which is generally thought to be around two (2) per 1,000 live births. The data presented by IHS suggests that the rate of FAS amongst Indian communities is as high as 15.6 per 1,000 live births in some service areas. It is further acknowledged by IHS that congenital anomalies, or birth defects specific to FAS, may be responsible for 25 percent of American Indian and Alaska Native neonatal deaths. The Committee understands that Indian communities are beginning to address this tragic, yet completely preventable, birth defect and therefore recommends an increase of $10,000,000 to be equally split between the Alcoholism and Health Education programs to address this effort.

Contract Health. The Committee is very concerned that the annual shortfall of Contract Health care funded is escalating at a rate of $15 million per year which results in the rationing of, and reductions in, Contract Health services in the second half of each fiscal year. Therefore, the Committee recommends that $31,763,000 be added to Contract Health Services. This amount includes:

$11,591,000 to address inflationary needs and $15,452,000 to meet the same level of care provided in fiscal year 1989 due to reductions resulting from Pay Act absorptions and growth in the patient population. As mentioned previously, the Committee has also included $4,720,000 in its recommendation to fully fund Section 3117 of P.L. 100-690 for alcoholism treatment costs.

The budget request includes $17,000,000 for the Catastrophic Health Emergency Fund (CHEF) in fiscal year 1991, which is the same amount appropriated in fiscal year 1990. The Committee concurs with the IHS recommendation, yet remains concerned that the actual need under this program is under-reported.

PREVENTIVE HEALTH. The Committee recommends that Sanitation be increased by $1,679,000 over the Administration request to fund emergency repairs to tribal sanitation facilities and to provide technical assistance to tribes. Included in this increase is $1 million to maintain solid waste landfills in Indian country because of potential exposure of the United States in light of the holding in the Blue Legs case (Blue Legs v. EPA, U.S. District Court, WD of South Dakota, Civ. 85-5097).

URBAN HEALTH. A $2,077,000 increase over the Administration request is provided for urban health projects to initiate substance abuse programs as authorized by P.L. 100-690. As mentioned earlier, the Committee recommends that $902,571 be added in fiscal year 1991 to allow urban Indian programs to effectively provide for their own community-based efforts in preventing and treating the spread of AIDS. An increase of $631,000 is recommended to restore inflationary costs not budgeted by the IHS.

HEALTH MANPOWER. To address severe manpower shortages within the Indian Health Service, P.L. 100-713 authorized the following new programs to retain and recruit clinical providers into the Service. Although these programs were authorized, the Administration's request did not include: $4,246 000 for the Nurse recruitment program; $1,000,000 for the Tribal Recruitment and Retention Program; $3,200,000 for the Retention Bonus Program; $1,000,000 to provide for educational instruction of IHS employees on tribal culture; $1,500,000 for tribally controlled community college Health Training Programs; $604,000 for development of Indians Into Medicine programs; $100,000 for travel in recruitment efforts; $436,000 for Section 102 recruitment efforts; $1,858,000 in Preparatory Scholarship assistance; and, $600,000 for the Incentive Pay Program. Each of these programs is recommended for funding by the Committee under the Indian Health Manpower account.

The IHS budget recommends only $3,000,000 in fiscal year 1991 for the Loan Repayment Program; however, the Committee is advised by numerous tribes that an additional $4,000,000 is needed to ensure that clinical staffing needs are met in fiscal year 1991. Thus the Committee recommends that $7,000,000 be included in the budget as authorized by Sec. 108 of P.L. 100-713.

TRIBAL MANAGEMENT. An increase of $271,000 over the Administration's request for fiscal year 1991 is recommended to fund the increased costs under the Tribal Management programs.

DIRECT OPERATIONS. The Committee recommends that this program be increased by $3,760,000 to allow for the adjusted costs of inflation.

INDIAN HEALTH FACILITIES

HEALTH FACILITIES AND SANITATION CONSTRUCTION. To accommodate the very modest increase proposed by the Administration for IHS programs overall, the IHS chose to virtually eliminate construction of new facilities and Sanitation Construction funding in fiscal year 1991. Only one facility, located at Pine Ridge, South Dakota, has been recommended for construction funding in the amount of $3,156,000. Approximately 15 repair and improvement projects at existing IHS and tribal facilities have been recommended to receive $10,000,000 in the fiscal year 1991 request.

The fiscal year 1991 IHS Facilities budget request contains no new funding for Federal or tribal construction of sanitation facilities (wells, septic tanks, water purification, etc.) for Indian homes. While the entire backlog of unmet need, which is estimated at $676 million, as documented by the IHS, the Administration did not request funding for this program. In the interest of eliminating this backlog, the Indian Health Care Improvement Act Amendments of 1989 (P.L. 100-713) require the IHS to develop a 10 year plan to resolve this problem. Release of this plan is anticipated on March 30, 1990.

The Committee is concerned that the National Facility Replacement Priority System does not meet the needs of smaller Indian communities when construction projects are considered by the IHS. Review of IHS data for construction facilities completed in the past ten years indicate that only those communities with a median population of 10,910 for hospitals and 12,358 for health clinics are included in the priority system. The Committee recommends that IHS implement a facility leasing system in cooperation with tribes to assist smaller Indian communities in need of hospital or clinic replacement and intends to address this issue in the coming months.

Finally, the IHS reports that after four years, only four primary residential treatment centers are open to youth as authorized by P.L. 99-570 and P.L. 100-690 within the twelve IHS areas. Much of the delay in opening these regional treatment facilities stems from the lack of construction and renovation resources. No funding was requested by the IHS in fiscal year 1991 for building or renovating these centers. The Committee recommends that $4,500,000 be added to the facilities budget for this purpose.

Those facilities which can be obligated and are recommended by the Committee in fiscal year 1991 include the following:

Indian Health Facilities

Hospitals	
Pine Ridge, SD	$16,138,000
Kotzebue, AK	25,322,000
Belcourt, ND	18,403,000
Planning Studies	200,000
Repair & Improvement	$10,000,000
Outpatient Facilities	
Tohatchi, NM	$ 8,735,000
Stilwell, OK	573,000
Personnel Quarters	
Pine Ridge, SD	$12,457,000
Regional Treatment Centers	$4,500,000
SUBTOTAL	$96,328,000
SANITATION FACILITIES	$125,000,000
FACILITIES TOTAL	$221,328,000

BUDGET POLICY INITIATIVES

Additionally, the Committee notes that in some of the programs within IHS there are several areas of concern for which the Committee makes the following specific recommendations:

Creation of Tribal Health and Federal Health Appropriations Accounts. The Administration's fiscal year 1991 budget proposes the creation of two separate appropriations accounts for IHS: the Tribal Health Administration and the Federal Indian Health Administration. The Tribal Health account would provide funding for health programs operated by Indian tribes under Self-Determination contracts. The Federal account would fund programs which are under direct IHS operation. While there may be merit to this separation of funding accounts, it is without the benefit of any tribal consultation. Therefore, the Committee recommends that the Administration's proposal to separate these two accounts be rejected until such time as tribes can be adequately consulted.

1990 and 1991 Pay Act and Special Pay Increases. Each year, Congress has set a goal of retaining the same level of care provided in the previous fiscal year. This goal may not be accomplished, because the proposed 1990 Revised base does not include $12,345,000 for the pay raise effective on January 1, 1990. Without a Supplemental Appropriation in fiscal year 1990 the IHS will be forced to absorb this reduction in program activities. Compounding this problem is the lack of Pay Act funding in the first quarter of fiscal year 1991 which is projected to cost $4 million. In addition, the IHS budget recommends that half of the anticipated 1991 Pay Act increase or $6,098,000 be absorbed by program funding in fiscal year 1991. It appears that in order to maintain the fiscal year 1989 level of care in fiscal year 1991, $18,443,000 is needed to cover the expenses for Pay Act increases. The actual cost realized in fiscal year 1990 and the remaining costs for the Pay Act in fiscal year 1991 will need to be fully determined before Interior Appropriations are made.

Projected Collection of Private Insurance Reimbursements. The Administration projects that it will collect $40,000,000 in reimbursements from third party private health insurers for services provided to Indians in IHS facilities. The Committee has strong reservations regarding IHS projections of $40 million in third party health insurers and notes that the IHS has estimated that only $8,000,000 will be collected in fiscal year 1990. It is highly unlikely that IHS will be able to collect these funds. Further, the Administration may not be in compliance with Sec. 207 of P.L. 100-713 which requires that these funds be used for renovation and improvement of existing facilities for accreditation purposes. It is the Committee's position that health programs should not have to bear the costs projected to be paid from these estimated collections if these funds are not indeed collected.

This does not diminish the Committee's anticipation that private insurance reimbursements will be collected effectively by tribes because these funds allow for local service delivery improvements. In those instances, the implementation of the new provision under P.L. 100-713, which addresses third party collections shall be closely monitored by the Committee to ensure that tribes do not experience problems with private reimbursements.

Quality Management Initiative.(QMI) The fiscal year 1991 budget request includes $2,000,000 and 40 FTEs to increase staffing for broad based management improvements in the IHS. The QMI focuses on strengthening IHS administration and management by making immediate corrections where necessary and encouraging innovation and fostering a commitment to professionalism by IHS employees. To accomplish its dual goal of providing quality health services and providing tribes the opportunity and the assistance needed to assume a major role in planning and managing their own health care systems, the QMI has established seven target activities. This initiative has not, to date, included tribal representation in the strategic planning or decision making efforts to initiate this program. To ensure that tribal input and commitment is fostered by the IHS, the Committee recommends that $1,000,000 and 20 tribal FTEs be selected nationally and from each area to cooperatively manage the QMI Initiative. The efforts of tribes and the IHS to bring together the management talent, systems, and commitment required to better service the health needs of Indian people must be equally shared to accomplish Indian Self-Determination.

ADMINISTRATION FOR NATIVE AMERICANS

Native American Programs. The Committee recommends increasing the budget for the Administration for Native Americans from the proposed funding level of $31,711,000 to $45,000,000, an increase of $13,289,000. Under this program, grants are made to tribes and other eligible entities to encourage social and economic development, and often lead to grants or loans from other sources for major projects.

Of the increase, $5,000,000 is proposed in anticipation of enactment of a bill to authorize grants to improve the capability of Indian tribal governments to regulate environmental quality. The other $8,329,000 is based on rising costs and increasing demand. Since fiscal year 1985, appropriations have risen less than $3 million for this program, while the costs of grantees and those providing technical assistance have tripled. In fiscal year 1989, two-thirds of the applicants were rejected, despite the fact that many of the denied applications were considered meritorious. Furthermore, continuing grantees and newly successful applicants have had to reduce the budgets of their programs because of limited dollars available.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
(In thousands of dollars)

	FY 1990 Enacted	FY 1991 Requested	+/- From FY 90	Senate Select Recommended	+/- From Admin.	+/- From 1990
ADMINISTRATION FOR NATIVE AMERICANS	31,711	31,711	0	45,000	13,289	13,289

DEPARTMENT OF HEALTH AND HUMAN SERVICES
(In thousands of dollars)

	FY 1990 Enacted	Senate Select Recommended	FY 1992	FY 1993	FY 1994	FY 1995
ADMINISTRATION FOR NATIVE AMERICANS	31,711	45,000	46,800	48,672	50,619	52,644

DEPARTMENT OF EDUCATION

OFFICE OF INDIAN EDUCATION

Subpart 1, Grants to local educational agencies and Indian-controlled schools. The Committee recommends an increase of $13,444,000 to $70,000,000, the level authorized by P. L. 100-297. Within this subpart, the Committee recommends that grants to Indian-controlled schools be maintained at $3,500,000. The Department's proposed transfer of $451,000 from this program to the formula grant program is not warranted by the explanation given in the budget narrative.

Subpart 2, Special programs for Indian students. The Committee recommends an increase of $33,945,000 to $46,000,000, in amounts as authorized by P. L. 100-297: for gifted and talented centers, $3,000,000; for regional resource and evaluation centers, $8,000,000; and for other Subpart 2 programs, $35,000,000. It is the Committee's view that the purposes of the Office of Indian Education will not be successfully realized if appropriations fall substantially short of the need for the special programs identified by the Congress.

IMPACT AID

Maintenance and Operations. The Committee recommends increasing the appropriation for payments to districts enrolling students whose parents live and work on Federal or Indian lands ("a" students) from the funding level proposed of $578,500,000 to $658,490,000, an increase of $80,990,000 based upon a ten percent increase and an inflation rate of four percent. Indian students make up only five percent of the "a" students, but schools with substantial Indian enrollments depend heavily upon Impact Aid funding to operate their school programs.

DEPARTMENT OF EDUCATION
(In thousands of dollars)

	FY 1990 Enacted	FY 1991 Requested	+/- From FY 90	Senate Select Recommended	+/- From Admin.	+/- From 1990
INDIAN EDUCATION PROGRAMS:						
Part A Formula Grant	54,300	56,556	2,256	70,000	13,444	15,700
Subpart 1	3,451	3,000	(451)	3,500	500	49
Subpart 2	12,557	10,055	(502)	46,000	34,945	33,443
Subtotal Education	70,308	69,611	1,303	119,500	40,889	49,192
Impact Aid						
Maintenance and Operations (874)	578,500	578,500	0	658,490	80,990	80,990
Construction	15,000	27,000	0	27,000	0	12,000
Sutotal Impact Aid	593,500	605,500	0	685,490	80,990	92,090
TOTAL EDUCAITON	663,808	675,111	1,303	804,990	129,879	142,182

DEPARTMENT OF EDUCATION

(In thousands of dollars)

	FY 1990 Enacted	Senate Select Recommended	FY 1992	FY 1993	FY 1994	FY 1995
INDIAN EDUCATION PROGRAMS:						
Part A Formula Grant	54,300	70,000	72,800	75,712	78,740	81,890
Subpart 1	3,451	3,500	3,640	3,786	3,937	4,095
Subpart 2	12,557	46,000	47,840	49,754	51,744	53,813
Subtotal Education	70,308	119,500	124,280	129,251	134,421	139,798
Impact Aid						
Maintenance and Operations [874]	578,500	658,400	684,030	712,223	740,712	770,340
Construction	15,000	27,000	28,880	29,203	30,371	31,586
Sutotal Impact Aid	593,500	685,400	712,910	741,426	771,083	801,926
TOTAL EDUCAITON	663,808	804,900	837,190	870,677	905,504	941,724

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

Indian Housing. The Committee recommends increasing the budget for Indian housing from the zero proposed to $224,000,000 to provide for 3,000 new housing units. According to the Bureau of Indian Affairs budget justification, which was approved by OMB, the responsibility for new Indian housing rests primarily with the Department of Housing and Urban Development.

The Bureau estimates the need for new houses or major renovations to be over 90,000 units, and in testimony before the Select Committee, HUD accepted that statement of need. The Department's HOPE initiative does not include any provision to fund new housing units on reservations or in Indian areas.

The Committee also recommends that Congress reject the Department's proposal to nullify the Congressional requirement that reserved Indian housing units that would otherwise be subject to recapture, be reserved only for Indian housing. Section 3 of the 1988 Indian Housing Act mandates that Indian housing units which would otherwise be subject to recapture are to continue to be reserved for Indian housing. The Department proposes appropriations language that would nullify this Congressional mandate. The Committee strongly opposes this proposal since acceptance of the Department's position would return funds reserved for such "recaptured" units to the Federal treasury, instead of to Indian country where they are so badly needed and where Congress intends the funds to be spent.

The Committee also recommends increasing the budget by $500,000, the amount authorized (P.L. 101-235) for the National Commission on American Indian, Alaska Native, and Native Hawaiian Housing. This addition would be a separate line item.

COMMUNITY DEVELOPMENT BLOCK GRANTS

The Committee recommends increasing the budget for Community Development Block Grants for tribes from the proposed funding of $27,000,000 to $32,000,000. This step would begin the task of rebuilding the budget to its 1984 level, but would still not begin to satisfy the $80 million or more in competitive grant applications received annually. Under the Administration's proposal for 1991, this is the only source of enabling tribes to rehabilitate housing, build community facilities, provide public infrastructure, and stimulate economic development projects.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
(In thousands of dollars)

	FY 1990 Enacted	FY 1991 Requested	+/- From FY 90	Senate Select Recommended	+/- From Admin.	+/- From 1990
PUBLIC AND INDIAN HOUSING:						
Indian Housing	136,099	0	(136,099)	224,000	224,000	87,901
Community Development Block Grant	27,000	27,000	0	32,000	5,000	5,000
National Commission on American Indian, Alaska Native and Native Hawaiian Housing	0	0	0	500	500	500
HUD TOTAL	163,099	27,000	(136,099)	256,500	229,500	93,401

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(In thousands of dollars)

	FY 1990 Enacted	Senate Select Recommended	FY 1992	FY 1993	FY 1994	FY 1995
PUBLIC AND INDIAN HOUSING:						
Indian Housing	136,099	224,000	232,960	242,278	251,970	262,049
Community Development Block Grant	27,000	32,000	33,280	34,611	35,996	37,435
National Commission on American Indian, Alaska Native and Native Hawaiian Housing	0	500	520	541	562	585
HUD TOTAL	163,099	256,500	266,760	277,430	288,528	300,069

Appendix

February 27, 1990

MEMORANDUM

TO: Christopher Mansour

FROM: Deborah Kalcevic, Congressional Budget Office

SUBJECT: The Federal Budget Effects of Changing the Appropriations for the BIA Education Programs From A Current-Year Funding Basis to A Forward-Year Funding Basis.

In response to your request, I have examined the federal budget impact of changing the appropriations for the BIA education programs from a current-year funding basis to a forward-year funding basis. The attached Table 1. shows the budget authority and outlay impact of this proposed change in funding as compared to the CBO revised baseline projections.

As we discussed on the phone, in order to avoid any disruption in school operations, the BIA education programs would have to receive two appropriations for fiscal year 1991. First, there would need to be a current-year appropriation available October 1990 to cover the costs of the 1990-1991 school year--similar to current law. Then, there would need to be a forward-year appropriation available July 1991 to cover the cost of the 1991-1992 school year--similar to Department of Education programs. Using the CBO revised baseline projections, 1991 budget authority would increase by $326 million; outlays would increase by $39 million. The outlay estimate reflects the assumption that the forward-funded monies would have a spending pattern similar to the Department of Education's forward-funded elementary and secondary education programs. In addition the outlays reflect the fact that the two 1991 appropriations would overlap one quarter and would both be available for obligation and expenditure during July 1991 through September 1991.

TABLE 1. THE FEDERAL BUDGET EFFECTS OF CHANGING THE APPROPRIATIONS FOR THE BIA EDUCATION PROGRAMS FROM A CURRENT-YEAR FUNDING BASIS TO FORWARD-YEAR FUNDING BASIS

(by fiscal year, in thousands of dollars)

Jan-90

	Appropriations	Projections				
	1990	1991	1992	1993	1994	1995
BIA--Operation Of Indian Programs, Education Programs (501):						
(1.) Revised Baseline: (Current-Year Funded)						
Budget Authority	297,200	313,080	326,209	339,852	354,089	368,921
Outlays	248,315	308,316	322,270	335,759	349,818	364,471
(2.) Proposed Forward-Year Funded:						
Budget Authority	297,200	639,289	339,852	354,089	368,921	384,415
Outlays	248,315	347,461	356,529	332,308	352,749	367,529
(3.) Difference (2) - (1):						
Budget Authority	0	326,209	13,643	14,237	14,831	15,495
Outlays	0	39,145	34,258	(3,451)	2,931	3,058

Congressional Research Service
The Library of Congress

Washington, D.C. 20540

March 5, 1990

TO: Senate Select Committee on Indian Affairs
Attention: Yvette Joseph

FROM: Roger Walke
Analyst in American Indian Policy

SUBJECT: Trends in Indian-Related Federal Spending, FY1975-1991[1]

This memorandum responds to your request that we update the analysis of Indian-related budget areas presented in the "Special Features" section of the Committee's publication *Budget Views and Estimates for Fiscal Year 1989* (S. Prt. 100-116), to cover the fiscal years 1975-1991.

The memorandum summarizes trends in most Indian-related areas of the Federal budget over the period FY1975-1991. The budget items selected usually account for 70 percent or more of total Federal spending each year on American Indians and Alaska Natives.

The trends are summarized in tables 1-4, and selected trends are illustrated in graphs 1-18. Both tables and graphs are based on the data in appendix tables 1-2. For each budget area, tables 1-4 show (1) the average level of spending in each year over the time period, (2) the annual change (i.e., the annual trend) in such spending, (3) the annual trend as a percentage (here called the "change ratio") of the average level, and (4) an indicator of the consistency of the trend.

Table 1 covers the period FY1975-1991, using current dollars. Table 2 covers the same period using constant, or inflation-adjusted, 1982 dollars. Tables 3 and 4 present the same current- and constant-dollar data for the period FY1982-1991.

This memorandum emphasizes constant-dollar figures. Since such figures are adjusted for the effects of inflation, they are better indicators of real changes in spending.

---

[1] Data for this analysis was updated by Garrine Laney, Analyst in American Indian Policy.

This memorandum is not intended to be a complete analysis of all the Indian-related budget items selected. Rather it is meant to compare trends in major budget items affecting the nation's Indian population with trends in parallel budget items affecting the entire U.S. population. After a discussion of methodology and sources, the memo focuses on budget items in three topical areas -- education, health, and housing and economic development -- before examining overall trends.

METHODOLOGY AND SOURCES

The Indian-related budget items chosen for this analysis are the Bureau of Indian Affairs (BIA) in the Department of the Interior, the Indian Health Service (IHS) and the Administration for Native Americans (ANA) in the Department of Health and Human Services, Indian education under the Department of Education, and Indian housing under the Department of Housing and Urban Development. According to the Office of Management and Budget, these agencies accounted for 75 percent of Indian-related spending government-wide in FY1988 and 74 percent in FY1989 and FY1990.

Spending by agencies is measured in terms of either appropriations or outlays, depending on data availability and past usage in the Committee's study of FY1989. Indian housing data were available in terms of use of budget authority.

To adjust for inflation, current-dollars figures were changed into constant dollars. The base year for the constant dollars was 1982, and the inflation index used to compute constant dollars from current-dollar figures was the Implicit Price Deflator for the Gross National Product. We chose Implicit Price Deflator instead of the Consumer Price Index (CPI) because the former accounts for inflation in the entire economy rather than just in consumer purchases, and hence is more appropriate for the full range of Indian budget areas.

The average, or mean, level of spending during the period FY1975-1991 was computed by dividing total spending over the time period by the number of years.

Annual change (annual trend) and trend consistency over the time period were determined by a time-series linear regression analysis. Such an analysis attempts to find the best straight line illustrating the relationship between a variable (here, a budget item) and time. The annual change is the "slope" of such a straight line (also known technically as the "coefficient of X" or the "regression coefficient"); the slope shows how much the spending on a budget item changes for every year that passes. Trend consistency is the "coefficient of determination," or r^2, generated by a regression analysis. Here, r^2 can be interpreted as follows: if the r^2 is high (i.e., closer to 1), then the trend, whether up or down, is very consistent; if the r^2 is low (closer to 0), then the trend is very irregular.

"Change ratio," expressed as a percentage, denotes the annual change divided by the average level of spending. This is to control for the fact that the size of a budget item's annual change will vary with the total amount of dollars spent by an agency. It illustrates that an annual change of $10 million, for instance, for an agency spending $100 billion is a much lower increase, proportionally, than the same $10 million increase for an agency spending $50 million.

Sources for budget data are the respective agencies and the annual *Budget of the United States Government* submitted by the President. Budget data collected included historical appropriations and outlays and FY1991 budget estimates, by agency and by budget function[2] category. Agencies contacted include the BIA, IHS, ANA, HUD, Education Department, Interior Department, U.S. Forest Service, U.S. Fish and Wildlife Service, Bureau of Land Management, and the Minerals Management Service. It should be noted that HUD was not able to provide Indian housing data for FY1977 because the data had been archived.

U.S. population data came from the *Statistical Abstract of the United States*. Indian population data came from the Indian Health Service's *Trends in Indian Health 1989* and are based on that agency's service population. This figure is useful because it is updated annually.

Historical figures for the Implicit Price Deflator were obtained from the *Economic Report of the President* (February 1990); projections for 1990 and 1991 came from Data Resources, Inc. (DRI).

EDUCATION

Education data from table 1 show that Indian education spending appears to have been growing from FY1975 to FY1991. The annual change for BIA education, for instance, shows an increase of $2.6 million (change ratio of 1.00 percent) per year. These figures, however, are in current dollars. Inflation has not been taken into account. The constant-dollar figures in table 2 do take inflation into account. These data show that BIA education has actually fallen by $11.8 million (-4.21 percent) a year during the period FY1975-1991. This pattern -- an apparent current-dollar increase belied by a constant-dollars decline -- is repeated in most Indian-related budget areas.

Table 2 shows that the Department of Education budget has averaged $15.2 billion in constant 1982 dollars during FY1975-1991 and has grown at a rate of $193.2 million (1.27 percent) a year, but with substantial annual variation (r^2 of .332). In contrast, Office of Indian Education programs in the Department of Education have averaged $70.4 million a year in constant dollars in the same time period and have fallen $2.4 million (-3.44 percent) a year. The r^2 figures for BIA education (.898) and Indian education programs (.713) show that both have fallen consistently over the time period.

---

[2] Budget functions represent classifications of budget expenditures by major objectives and operations, regardless of the agency responsible.

Table 4 compares budget trends in constant dollars during the years of the Reagan and Bush administrations (FY1982-1991). The Department of Education has averaged $15.5 billion with an increase of $345.7 million (2.23 percent) a year. BIA education, on the other hand, has declined $6.5 million (-2.75 percent) a year, and Indian education in the Education Department has fallen $2 million (3.36 percent) a year. All these trends are about equally consistent.

Graphs 1-3 illustrate the trends in constant dollars for FY1975-1991. Graph 1 shows the generally upward, but fluctuating, trend for the Department of Education budget. Graphs 2 and 3 show the long-term downward trends for BIA education and Indian education in the Department of Education.

HEALTH

Federal health outlays (i.e., the health budget function), as shown in table 2, averaged $30.9 billion in constant 1982 dollars during FY1975-1991, increasing at a rate of $1.3 billion a year, for a change ratio of 4.09 percent. Expenditures of the Department of Health and Human Services (HHS), which include more than health spending, averaged $108.1 billion in the same time period, increasing at $5.1 billion (4.76 percent) a year. Indian Health Service appropriations, in constant dollars, also increased during FY1975-1991, but at lower rate: its annual increase was $19.7 million, or 2.58 percent, on an average level of $763.8 million.

Spending on the health budget function during the Reagan and Bush administrations, shown in table 4, was at an average level of $34.5 billion in constant dollars during FY1982-1991, with an annual increase of 2.2 billion (6.37 percent). HHS outlays averaged 126.7 billion, increasing $4.8 billion (3.82 percent) annually. IHS spending showed lesser gains during the same period, receiving annual increases of $28.6 million per year, or 3.53 percent, on an average level of $811.1 million.

Graphs 4-6 depict the trends in the HHS, health function, and IHS budgets for the years FY1975-1991, in constant dollars. They show that the increase over time was more consistent for HHS (r^2 of .975) and the Federal health function (r^2 of .839) than for IHS (r^2 of .625).

HOUSING AND ECONOMIC DEVELOPMENT

Housing expenditures for the entire U.S. and for Indians have been significantly different. Table 2 shows that the Department of Housing and Urban Development budget averaged $14.6 billion in constant dollars from FY1978 to FY1991[3] and increased at an annual rate of $401.1 million, for a change ratio of 2.74 percent. Indian housing, on the other hand, decreased at an annual rate of $36 million, or -9.18 percent, with an average level of $392.1 million. Graph 7 illustrates the HUD trend and Graph 8 depicts the trend for Indian housing. Graph 9 combines the two sets of data.

Housing trends in the Reagan and Bush administrations (FY1982-1991) have fallen below those for the longer period. Indian housing has decreased at an annual rate of $45.7 million (-19.99 percent) on an average level of $228.7 million, while overall HUD spending has remained almost flat, growing by only $5.9 million (0.04 percent) a year on an average level of $16.3 billion.

Economic development has not fared well during the period FY1975-1991 in either the overall U.S. budget or the Indian-related budget. Here we compare the overall U.S. economic development budget function with the BIA economic development program and with the Administration for Native Americans, which provides funding for social and economic development projects to Indian tribal governments and non-governmental Indian organizations.

All three economic development programs have lost ground in constant dollars, but the Indian-related ones have fallen faster. Table 2 shows that the U.S. economic development function has declined at an annual rate of $464.2 million, for a change ratio of -5.56 percent, while averaging $8.3 billion a year in spending during this period. ANA expenditures, with an average level of $34.3 million, have decreased by $2.3 million, or -6.59 percent, a year. The BIA economic development program has lost the most, falling by $4.9 million, or -7.59 percent, a year (on an average level of $64.1 million). Graphs 10-12, and the respective r^2's for the economic development function (.454), BIA economic development (.767), and ANA (.805), all show that the decline has been most consistent over the time period for the Indian-related programs.

Economic development spending during the Reagan and Bush administrations (FY1982-1991) has continued to decline, as shown in table 4. The Federal economic development function during this period fell faster than ANA, dwindling by $312.3 million (-5.09 percent) a year on average spending of $6.1 billion. ANA fell only by -1.97 percent ($0.5 million) a year on an average level of $25.3 million. BIA economic development went down the fastest, being reduced by -8.55 percent ($3.8 million) a year on average spending of $44.2 million. Again the downward trends were more consistent for the Indian-related items than for the overall Federal economic development function.

---

[3] The time period for housing data is shortened from FY1975-1991 to FY1978-1991 because of missing data for Indian housing in FY1977.

OVERALL BUDGET AREAS

This section compares trends over the time period for the total BIA budget, overall Indian-related spending, and the Federal non-defense budget[4] as a whole, using both current and constant dollars. For the BIA, table 1 and graph 13 display an increase in spending in current dollars, with spending going up by $24.9 million (change ratio of 2.45 percent) a year with an average level of $1 billion. Table 2 and graph 14, however, show that in constant dollars there was actually a decline in the BIA budget of $27.8 million (-2.64 percent) a year, on an average level of $1.1 billion. A reasonably steady increase (r^2 of .669) in current dollars becomes, when corrected for inflation, an equally steady decline (r^2 of 726) in constant dollars.

Federal non-defense spending as a whole exhibits a departure from the pattern for Indian-related spending, however. Federal spending as a whole in current dollars went up during the period FY1975-1991, at a rate of $32.2 billion (6.62 percent) with an average level of $487 billion (see table 1). In constant dollars, Federal spending still went up, at a rate of $9.6 billion (2.01 percent) on an average level of $479 billion (see table 2). Graphs 15 and 16 illustrate these upward trends in current and constant dollars.

The overall Indian-related budget returns to the same pattern as the BIA. Current-dollar spending during the FY1975-1991 period, as shown in table 1, went up at a rate of $59.3 million, or 2.64 percent, a year, on an average level of $2.2 billion. Constant-dollar spending, however, is shown in table 2 to have gone down at a rate of $48.8 million, or -2.11 percent, a year, with an average level of $2.3 billion. Graphs 17 and 18 demonstrate the two trends.

Population data can be used to get a simple comparison of per-capita Federal spending between the overall U.S. population and the Indian population. Table 1 includes population data similar to the budget data. The data (which include projections) show that the overall U.S. population increased at a rate of 2,264,718 million people (0.97 percent) a year during the period 1975-1991, with an average level of 234,292,824 million people. The Indian population (as measured by the IHS service population) is much smaller, with an average level of 885,751, but it has grown much faster, increasing at an annual rate of 33,593, or 3.79 percent. To get a measure of per-capita Federal spending for each of the two groups, we took each year in the FY1975-1991 period and divided the Federal non-defense budget by the total U.S. population, and the overall Indian budget by the Indian population. We used current dollars for this measure.

---

[4] The Federal non-defense budget used here excludes both national defense expenditures and net interest payments on the national debt.

Graph 19 illustrates the resulting trends. It shows that during the first ten years of the period the Federal government spent more per capita on Indians than on the population as a whole. After 1985, however, Indians received less expenditure per capita than the population as a whole. Throughout the 1975-1991 period, per-capita spending on the population as a whole consistently increased, whereas per-capita spending on Indians began to fall in 1979, with no significant upward change until 1990.

SUMMARY

The data show that Indian-related spending, corrected for inflation, has been going down in almost all areas. Among the Indian-related items examined, only Indian health and BIA natural resources spending have avoided this trend. (BIA Indian services spending has been flat.)

This downward trend is not obvious if one looks only at current-dollar data. One has to look instead at constant-dollar figures. The tables and graphs show that, in constant dollars, overall Indian spending has gone down, while overall Federal non-defense spending has gone up.

When one looks not only at overall Indian spending but also at its major parts -- BIA, IHS, Indian education in the Education Department, Indian housing in HUD, and ANA -- one sees from table 2 and graph 20 that, in constant dollars, all major spending items except IHS have declined during the period FY1975-1991. Moreover, a comparison in constant dollars of overall Indian spending and its major parts, on the one hand, to comparable budget items in the full Federal budget, on the other, indicates that all Indian-related spending areas have lagged behind their equivalent Federal spending areas. (See graph 21.) This is true even of IHS.

If the BIA budget and overall Indian spending were to decline at the same rates of annual change during the period FY1992-2000 as they did during FY1975-1991 (-$27.8 million and -$48.8 million, respectively, in constant dollars), as shown in graph 22, then by FY2000 overall Indian-related spending would have fallen below $1.5 billion in 1982 dollars, and BIA spending would have diminished to less than $621 million in 1982 dollars.

If you have any questions, or if I can be of further assistance, please call me at 707-8641.

RW:mb
Attachments

Table 1. TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET in CURRENT DOLLARS, FY1975-1991

[Dollar figures in millions]

	Average Level	Annual Change	Change Ratio*	r^2
Education:				
U.S. Dept of Education	$15,334.6	$913.4	5.96%	.915
Education function	$29,215.6	$1,070.4	3.66%	.697
Indian education (U.S. Dept. of Ed.)	$67.2	$1.0	1.43%	.253
BIA education	$264.4	$2.6	1.00%	.372
Health:				
U.S. Dept. of Health/Hum. Serv.	$113,337.1	$10,241.6	9.04%	.986
Health function	$32,080.3	$2,817.7	8.78%	.932
Indian Health Service	$781.4	$55.6	7.12%	.941
Housing and Economic Development:				
U.S. Dept. of Housing/Urb. Devt.**	$15,019.2	$1,060.2	7.06%	.703
Indian housing**	$348.6	-$21.8	-6.26%	.161
Economic development function	$7,748.6	-$77.3	-1.00%	.029
Admin. for Native Americans	$31.4	-$0.4	-1.13%	.303
BIA economic development	$58.0	-$1.8	-3.06%	.326
Natural Resources:				
U.S. Dept. of the Interior	$4,403.8	$186.5	4.23%	.856
Fish and Wildlife Service	$349.7	$21.8	6.23%	.908
Bureau of Land Management	$817.8	$25.6	3.13%	.240
Forest Service	$2,088.4	$103.0	4.93%	.910
Natural resources function	$13,010.8	$515.3	3.96%	.830
BIA natural resources	$100.2	$7.4	7.43%	.809
Overall:				
BIA Total	$1,012.9	$24.9	2.45%	.669
BIA: Indian services	$226.8	$10.8	4.75%	.810
Overall Indian budget	$2,241.5	$59.3	2.64%	.455
Federal non-defense budget***	$487,043.4	$32,242.4	6.62%	.989
U.S. population	234,292,824	2,264,718	.97%	.999
Indian population	885,751	33,593	3.79%	.976

NOTE: * Annual change as a percent of average level.
** Covers only FY1978-1991.
*** Excludes national defense and net interest payments on national debt.

Table 2. **TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET in CONSTANT 1982 DOLLARS, FY1975-1991**

[Constant dollars based on Implicit Price Deflator for GNP]
[Dollar figures in millions]

	Average Level	Annual Change	Change Ratio*	r^2
Education:				
U.S. Dept of Education	$15,206.2	$193.2	1.27%	.332
Education function	$29,880.0	-$378.5	-1.27%	.180
Indian education (in Dept. of Ed.)	$70.4	-$2.4	-3.44%	.713
BIA education	$280.3	-$11.8	-4.21%	.898
Health:				
U.S. Dept. of Health/Hum. Serv.	$108,096.1	$5,140.5	4.76%	.975
Health function	$30,874.2	$1,262.0	4.09%	.839
Indian Health Service	$763.8	$19.7	2.58%	.625
Housing and Economic Development:				
U.S. Dept. of Housing/Urb. Devt.**	$14,612.1	$401.1	2.74%	.240
Indian housing**	$392.1	-$36.0	-9.18%	.246
Economic development function	$8,343.6	-$464.2	-5.56%	.454
Admin. for Native Americans	$34.4	-$2.3	-6.59%	.805
BIA economic development	$64.1	-$4.9	-7.59%	.767
Natural Resources:				
U.S. Dept. of the Interior	$4,460.7	-$22.3	-.50%	.053
Fish and Wildlife Service	$345.6	$5.7	1.66%	.277
Bureau of Land Management	$834.2	-$11.6	-1.39%	.065
Forest Service	$2,096.0	$5.6	.27%	.019
Natural resources function	$13,257.8	-$129.5	-.98%	.202
BIA natural resources	$97.1	$3.2	3.35%	.462
Overall:				
BIA Total	$1,053.0	-$27.8	-2.64%	.726
BIA: Indian services	$228.2	$.1	.04%	.000
Overall Indian budget	$2,313.6	-$48.8	-2.11%	.285
Federal non-defense budget***	$478,982.7	$9,611.1	2.01%	.928

NOTE: * Annual change as percent of average level
** Covers only 1978-91.
*** Excludes national defense and net interest payments on national debt.

Table 3. TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET in CURRENT DOLLARS, FY1982-1991

[Dollar figures in millions]

	Average Level	Annual Change	Change Ratio*	r^2
Education:				
U.S. Dept of Education	$18,191.3	$1,022.6	5.62%	.904
Education function	$31,814.4	$1,548.8	4.87%	.891
Indian education (U.S. Dept. of Ed.)	$69.7	$.1	.14%	.004
BIA education	$272.8	$1.9	.70%	.072
Health:				
U.S. Dept. of Health/Hum. Serv.	$149,592.1	$10,629.2	7.11%	.963
Health function	$41,034.6	$3,983.4	9.71%	.938
Indian Health Service	$957.0	$65.6	6.86%	.952
Housing and Economic Development:				
U.S. Dept. of Housing/Urb. Devt.**	$19,049.5	$643.1	3.38%	.178
Indian housing**	$252.4	-$44.8	-17.74%	.904
Economic development function	$7,080.0	-$103.6	-1.46%	.054
Admin. for Native Americans	$29.4	$.4	1.39%	.758
BIA economic development	$50.4	-$2.8	-5.49%	.493
Natural Resources:				
U.S. Dept. of the Interior	$5,000.1	$165.3	3.31%	.855
Fish and Wildlife Service	$421.5	$22.5	5.35%	.858
Bureau of Land Management	$901.7	$.5	.06%	.000
Forest Service	$2,425.9	$91.9	3.79%	.935
Natural resources function	$14,507.7	$616.6	4.25%	.828
BIA natural resources	$127.9	$5.1	3.95%	.331
Overall:				
BIA Total	$1,086.4	$26.7	2.45%	.440
BIA: Indian services	$263.8	$8.4	3.18%	.439
Overall Indian budget	$2,395.0	$48.0	2.01%	.574
Federal non-defense budget***	$599,996.1	$30,368.4	5.06%	.962
U.S. population	242,319,600	2,120,897	.88%	.999
Indian population	1,002,873	28,791	2.87%	.998

NOTE: * Annual change as percent of average level.
** Covers only 1978-91.
*** Excludes national defense and net interest payments on national debt.

Table 4. TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET in CONSTANT 1982 DOLLARS, FY1982-1991

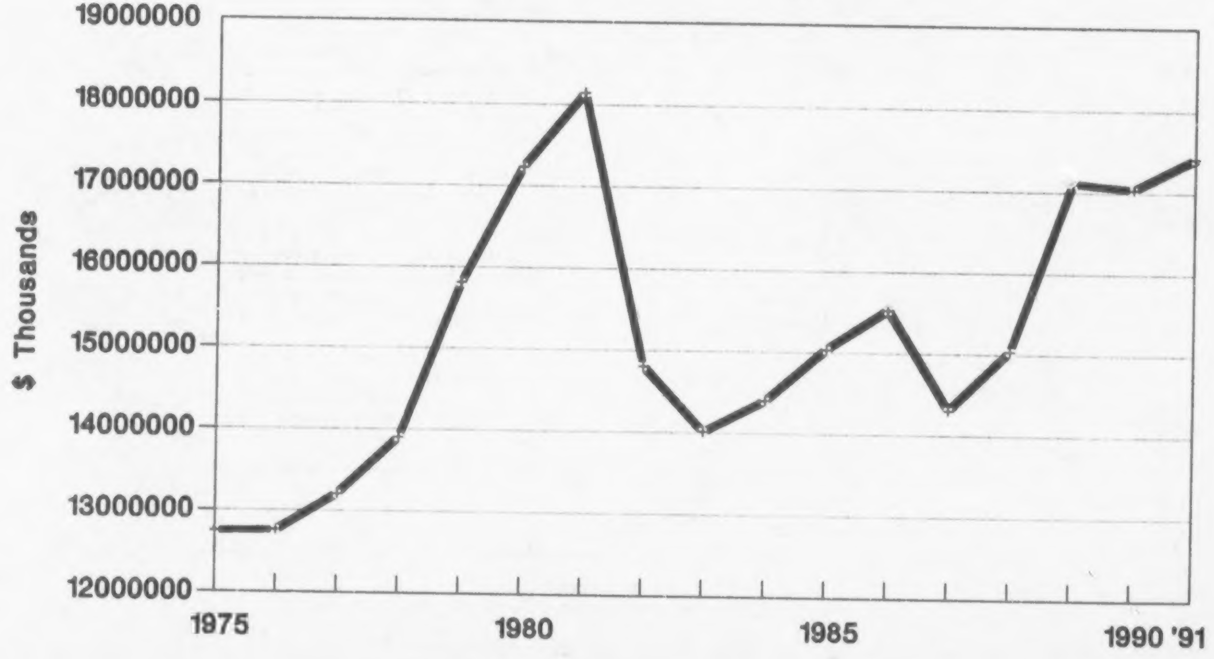
[Constant dollars based on Implicit Price Deflator for GNP]
[Dollar figures in millions]

	Average Level	Annual Change	Change Ratio*	r^2
Education:				
U.S. Dept of Education	$15,471.7	$345.7	2.23%	.686
Education function	$27,115.2	$394.9	1.46%	.528
Indian education (in Dept. of Ed.)	$60.2	-$2.0	-3.36%	.656
BIA education	$235.2	-$6.5	-2.75%	.561
Health:				
U.S. Dept. of Health/Hum. Serv.	$126,698.1	$4,835.1	3.82%	.901
Health function	$34,506.7	$2,196.7	6.37%	.931
Indian Health Service	$811.1	$28.6	3.53%	.911
Housing and Economic Development:				
U.S. Dept. of Housing/Urb. Devt.**	$16,295.8	$5.9	.04%	.000
Indian housing**	$228.7	-$45.7	-19.99%	.927
Economic development function	$6,139.1	-$312.3	-5.09%	.438
Admin. for Native Americans	$25.3	-$0.5	-1.97%	.892
BIA economic development	$44.2	-$3.8	-8.55%	.711
Natural Resources:				
U.S. Dept. of the Interior	$4,279.4	$.6	.01%	.000
Fish and Wildlife Service	$358.7	$7.2	2.01%	.494
Bureau of Land Management	$779.0	-$30.2	-3.88%	.151
Forest Service	$2,073.7	$10.4	.50%	.183
Natural resources function	$12,386.4	$98.9	.80%	.185
BIA natural resources	$109.3	$1.1	.97%	.029
Overall:				
BIA Total	$932.2	-$9.1	-.97%	.116
BIA: Indian services	$225.9	-$0.6	-.25%	.005
Overall Indian budget	$2,057.4	-$28.7	-1.39%	.443
Federal non-defense budget***	$511,085.1	$8,762.3	1.71%	.858

NOTE: * Annual change as percent of average level.
** Covers only 1978-91.
*** Excludes national defense and net interest payments on national debt.

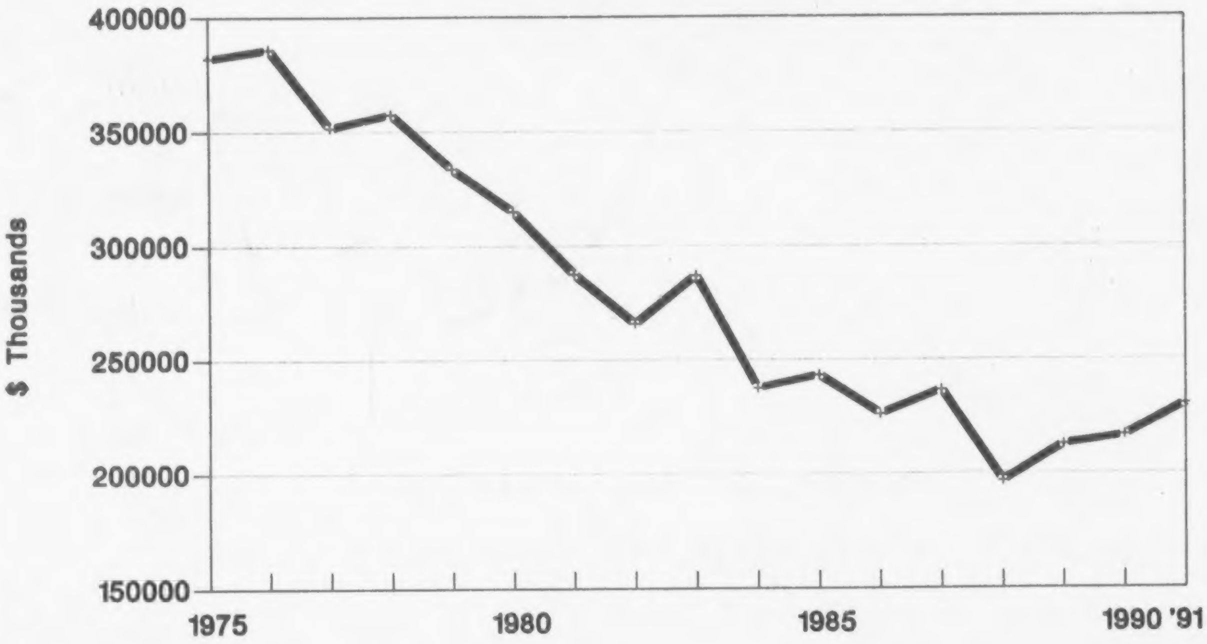
Graph 1
U.S. Education Dept. Budget, FY1975-91

In Constant 1982 Dollars



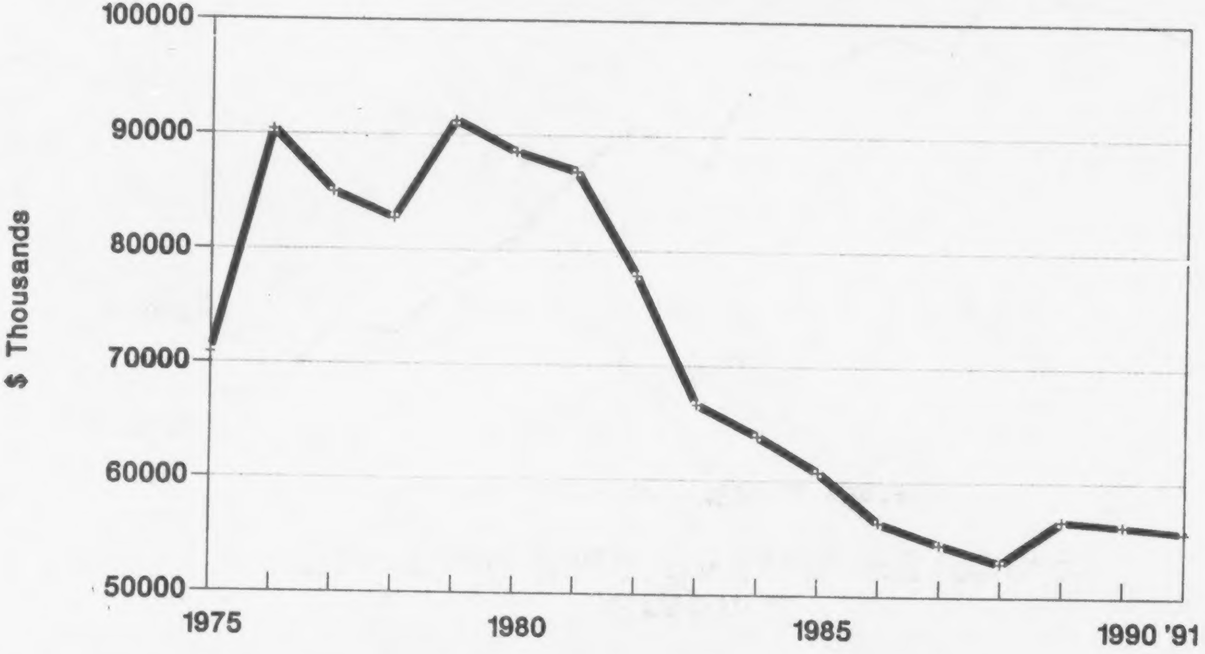
Graph 2
BIA Education Budget, FY1975-91

In Constant 1982 Dollars



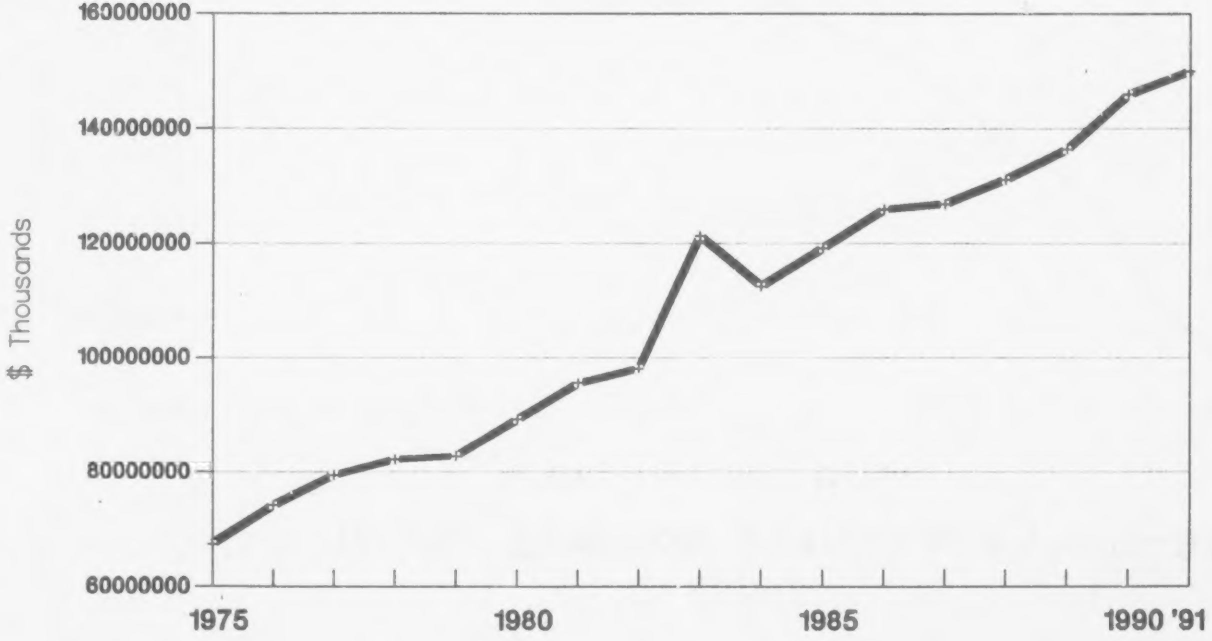
Graph 3
Indian Education In Educ. Dept., FY1975-91

In Constant 1982 Dollars



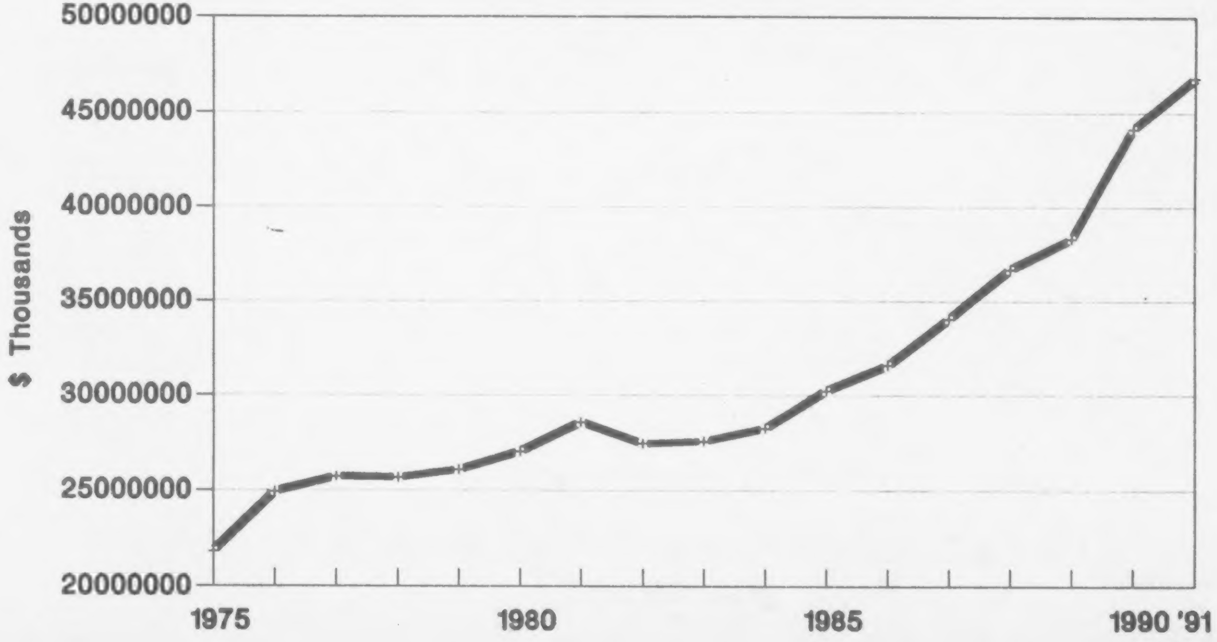
Graph 4
U.S. HHS Dept. Budget, FY1975-91

In Constant 1982 Dollars



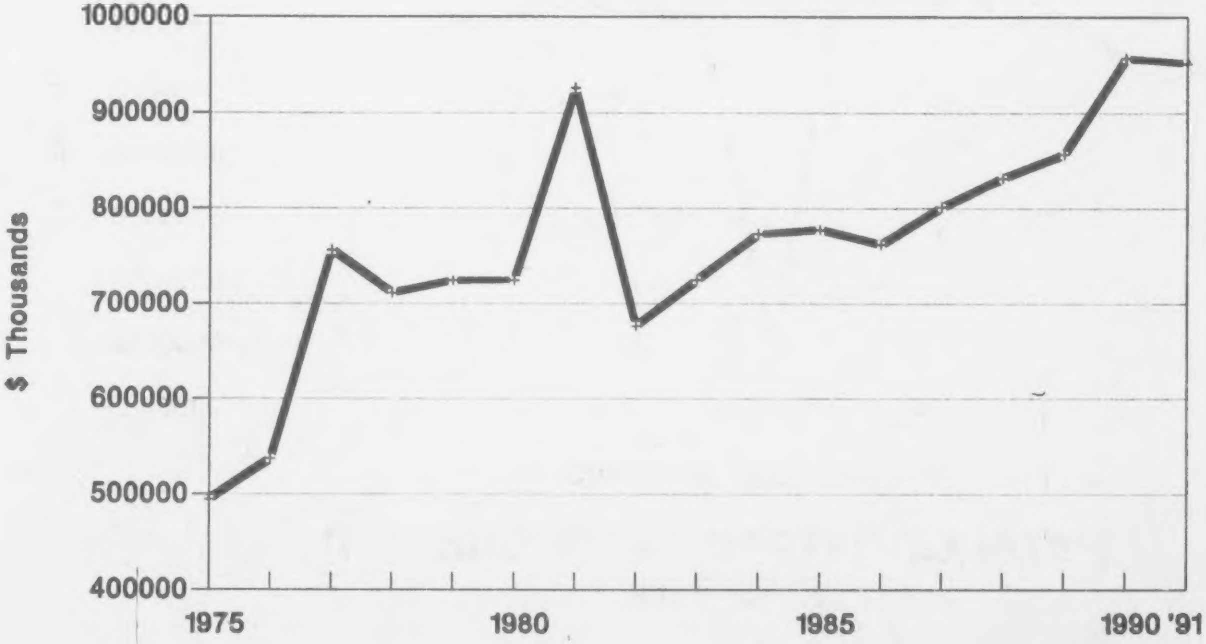
Graph 5
U.S. Health Function Spending, FY1975-91

In Constant 1982 Dollars



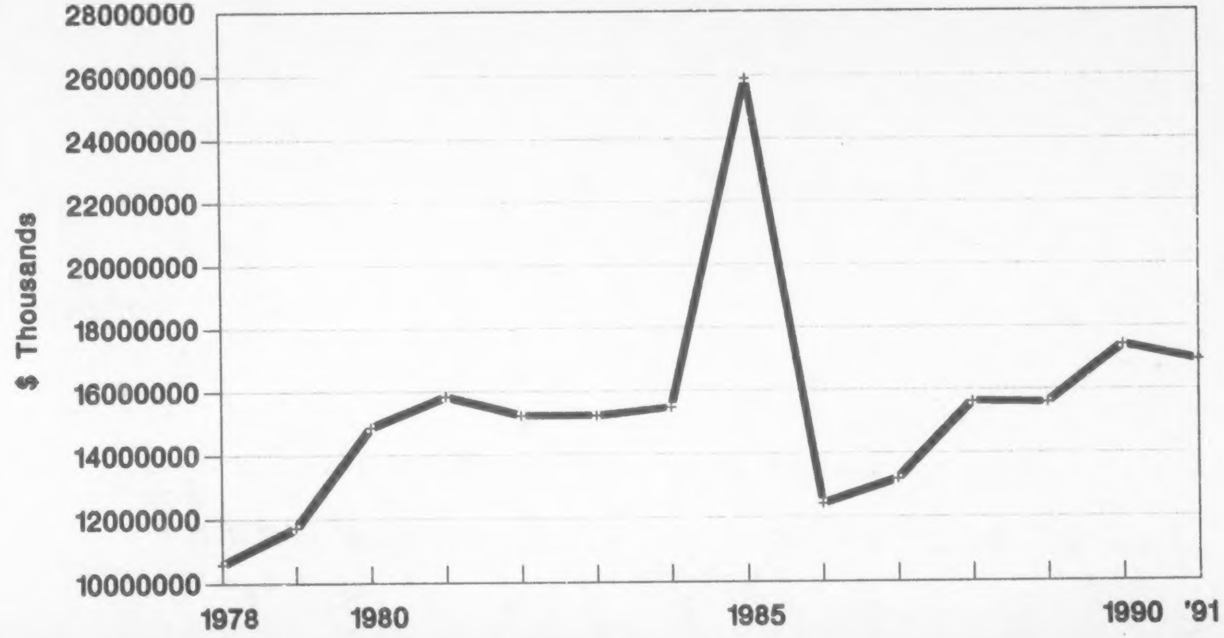
Graph 6
Indian Health Service Budget, FY1975-91

In Constant 1982 Dollars



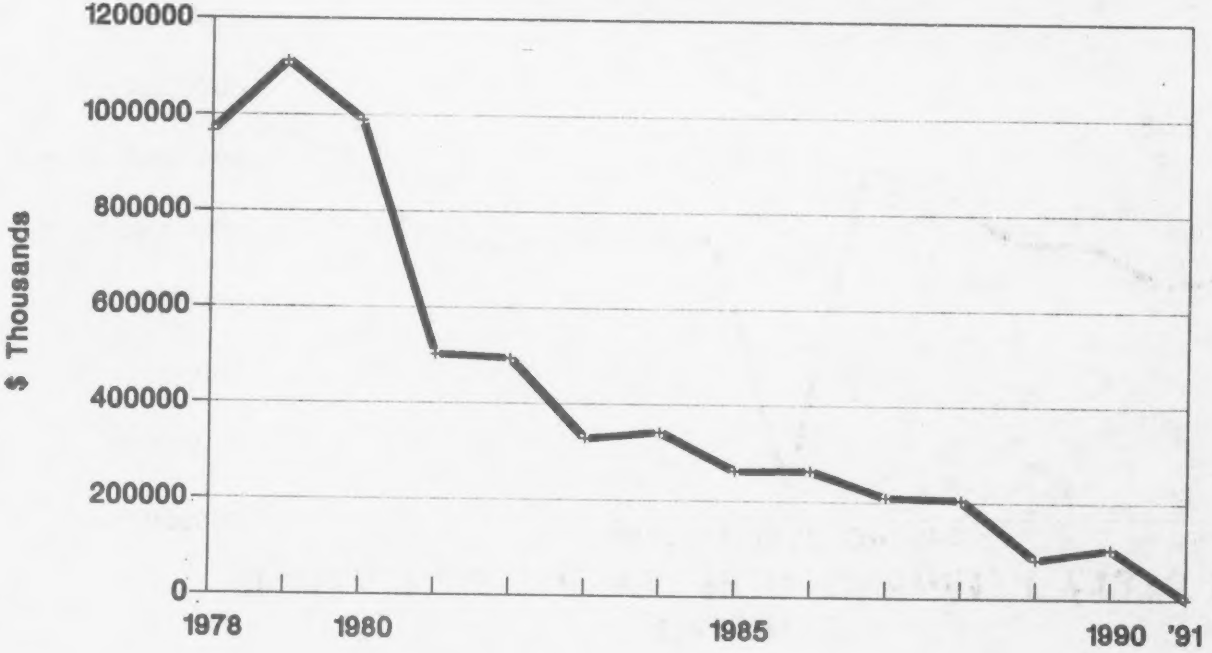
Graph 7
U.S. HUD Dept. Budget, FY1978-91

In Constant 1982 Dollars

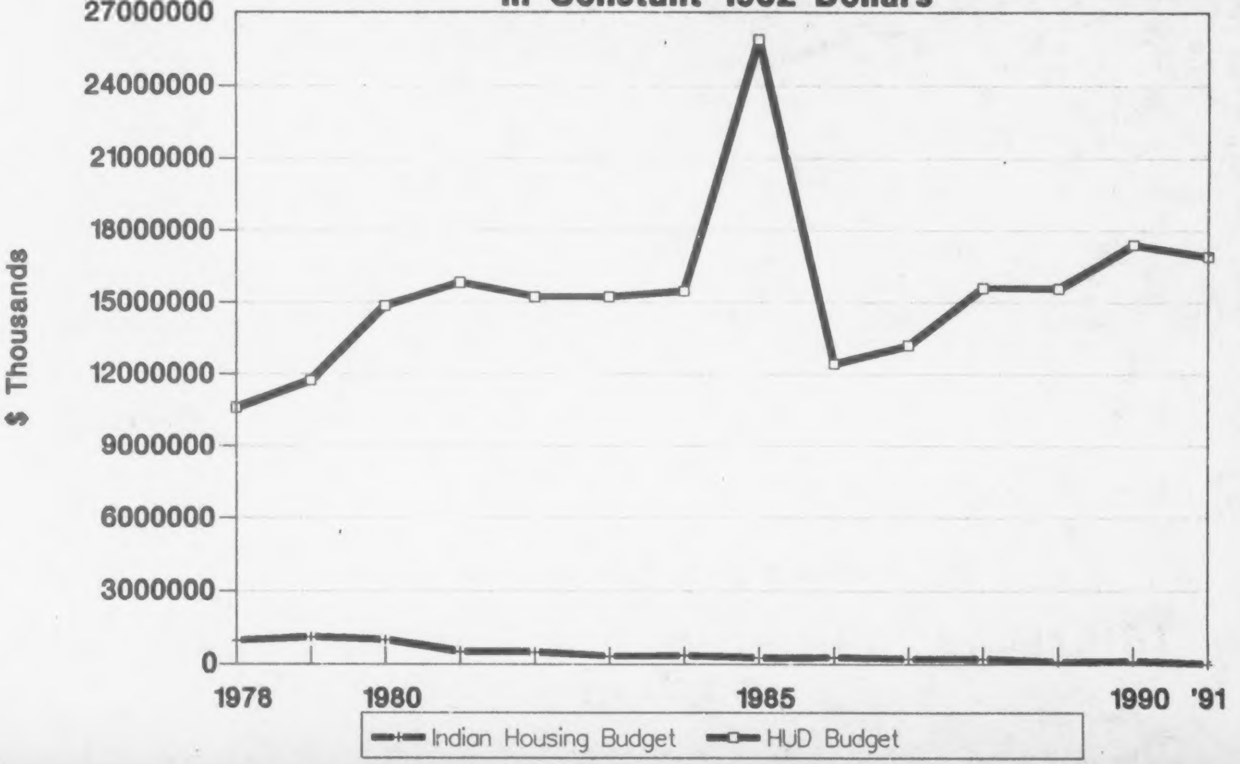


Graph 8
Indian Housing Budget in HUD, FY1978-91

In Constant 1982 Dollars

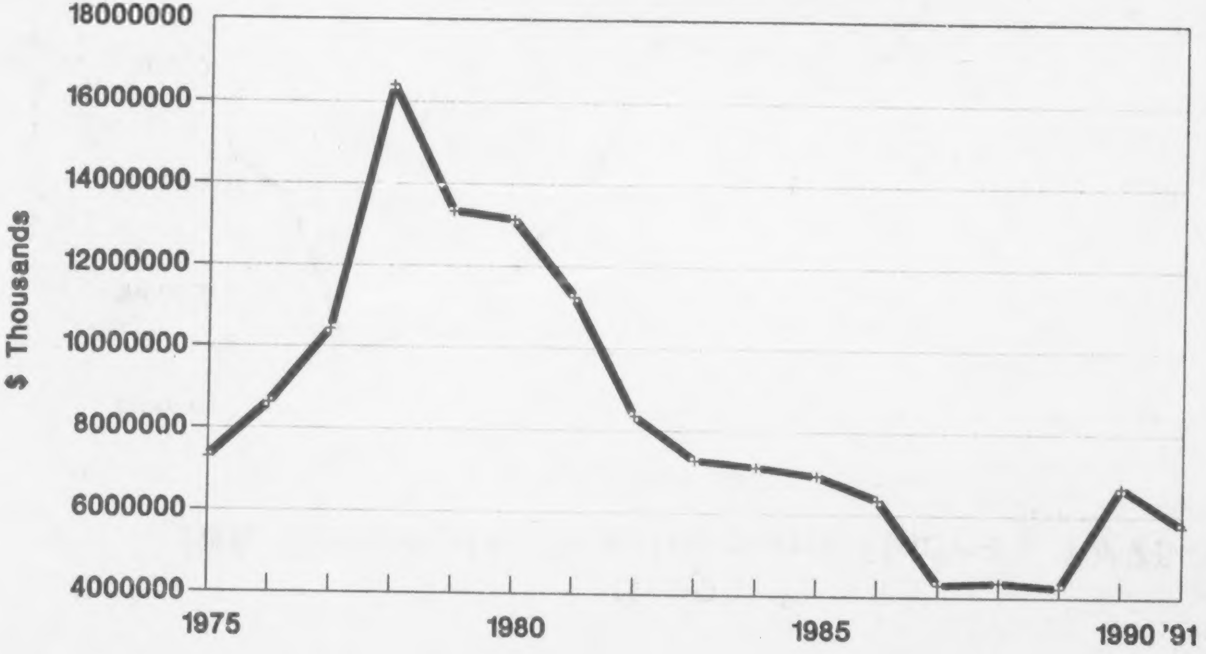


Graph 9
Indian Housing vs. HUD Budget, FY1978-91
In Constant 1982 Dollars



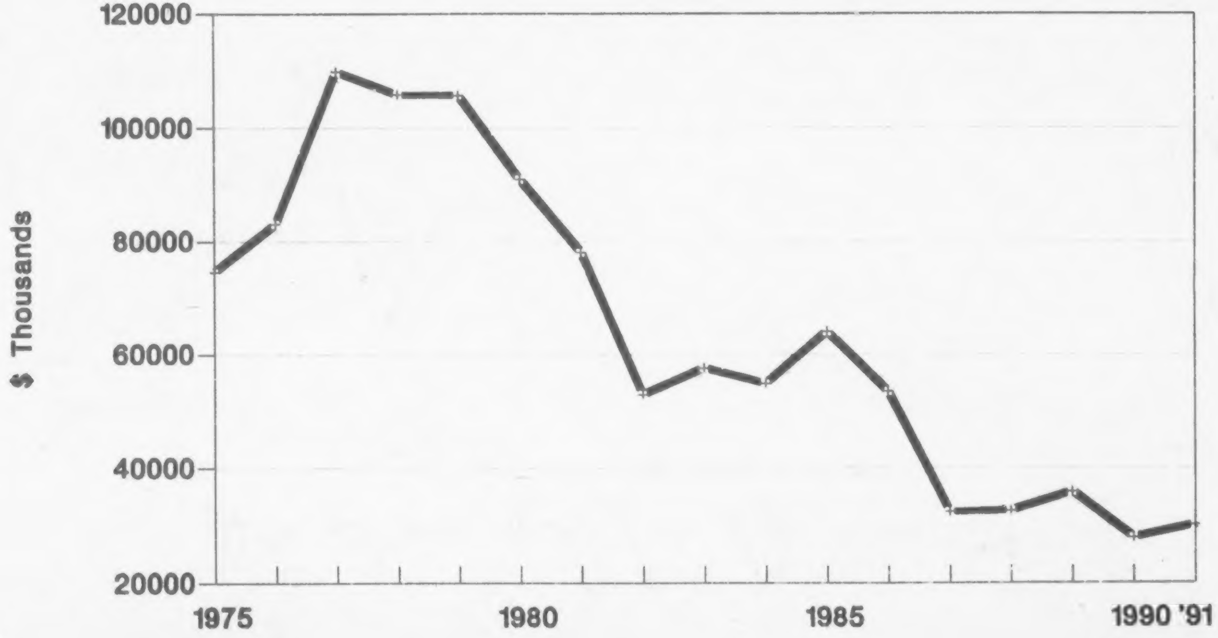
Graph 10
U.S. Economic Devt. Function, FY75-91

In Constant 1982 Dollars



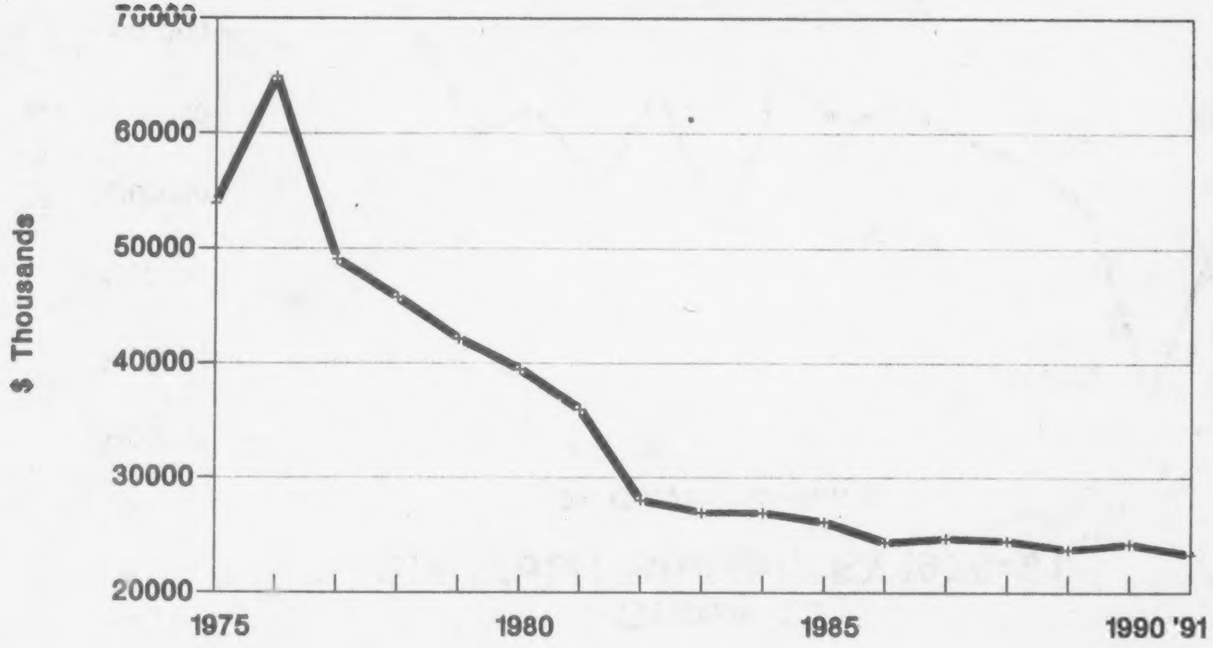
Graph 11
BIA Economic Development Budget, FY75-91

In Constant 1982 Dollars



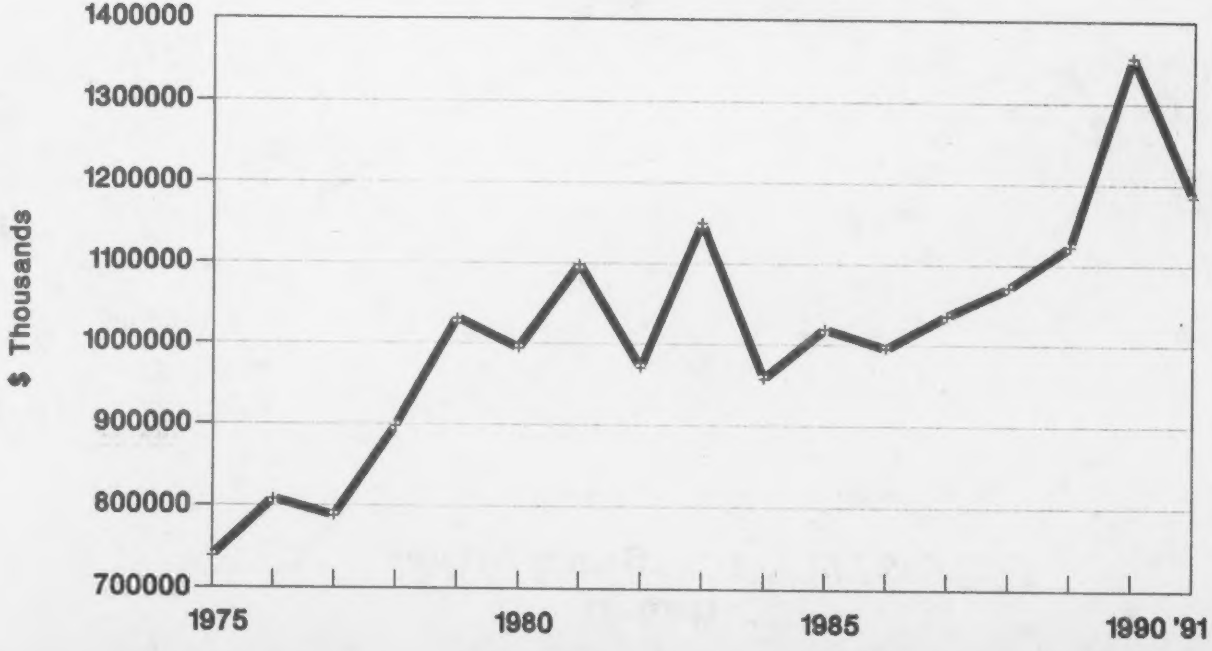
Graph 12
ANA Budget, FY1975-91

In Constant 1982 Dollars



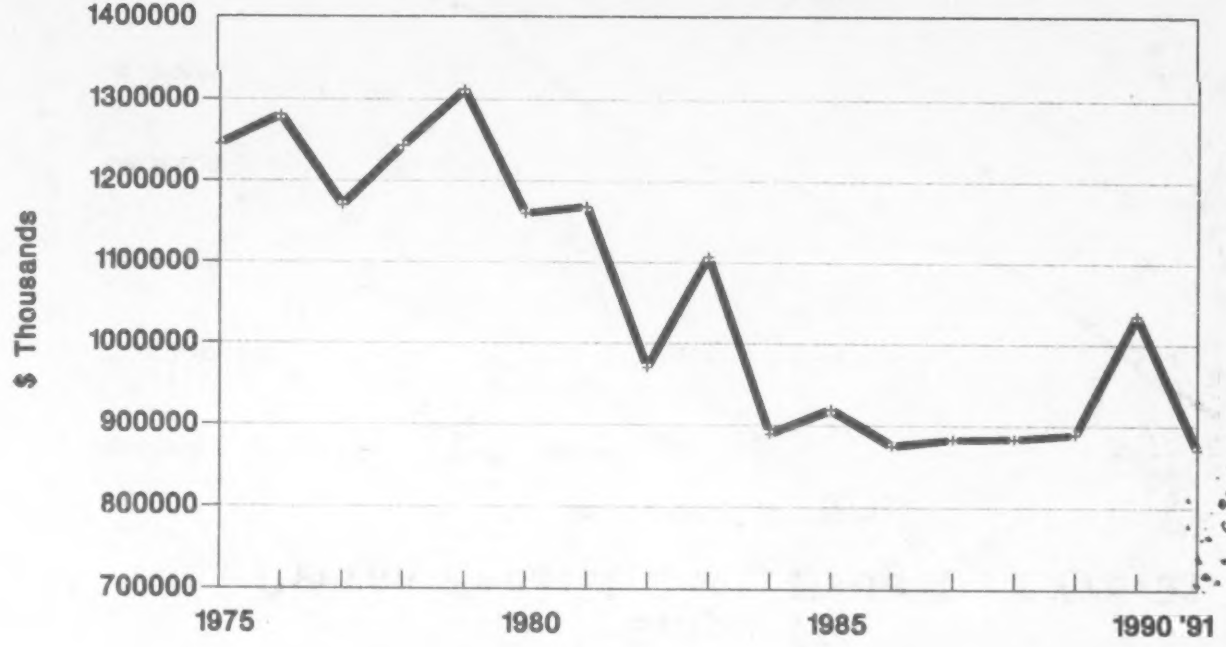
Graph 13
BIA Total Budget, FY1975-91

In Current Dollars



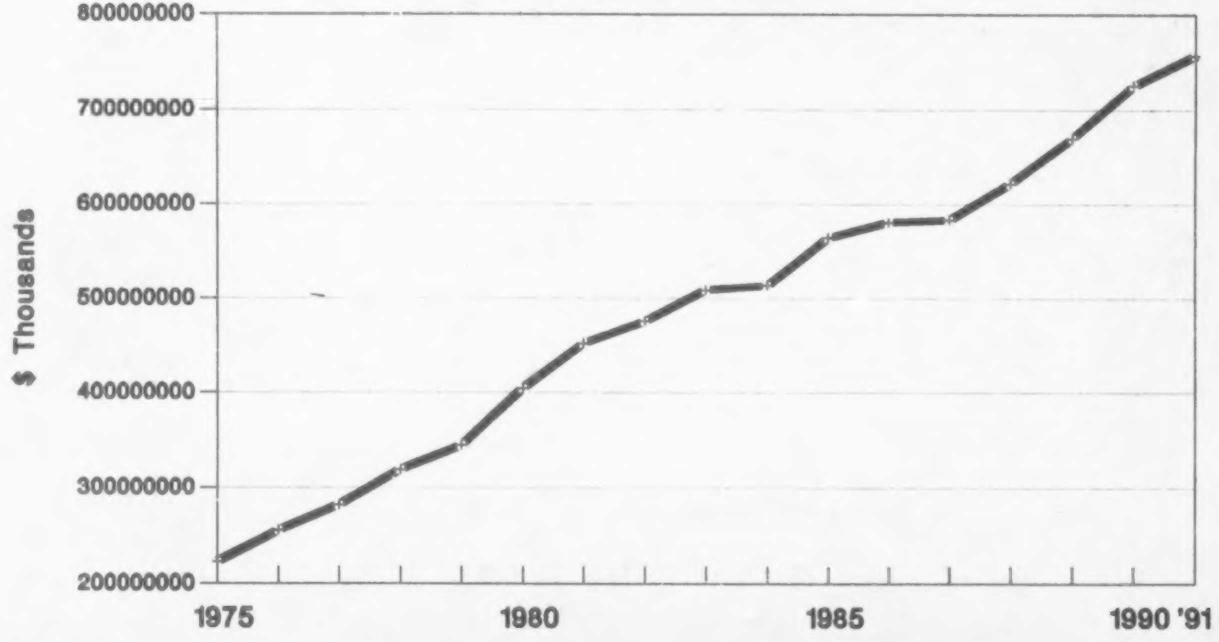
Graph 14
BIA Total Budget, FY1975-91

In Constant 1982 Dollars



Graph 15
Overall Federal Govt. Budget*, FY75-91

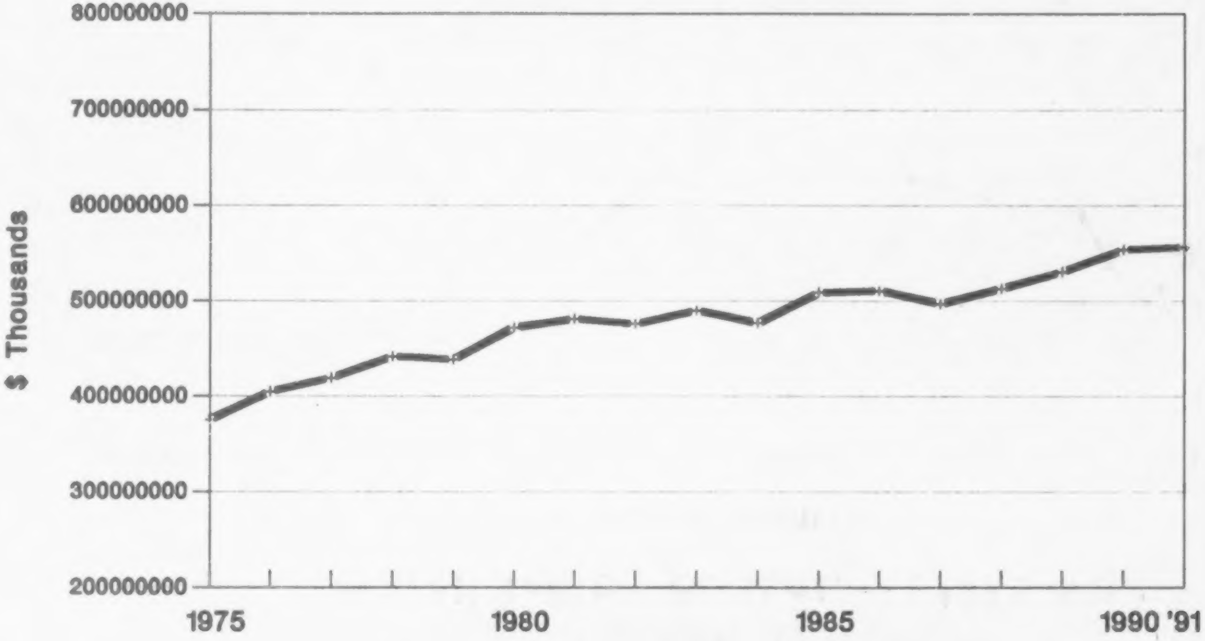
In Current Dollars



* Excluding Defense and Net Interest

Graph 16
Overall Federal Govt. Budget*, FY75-91

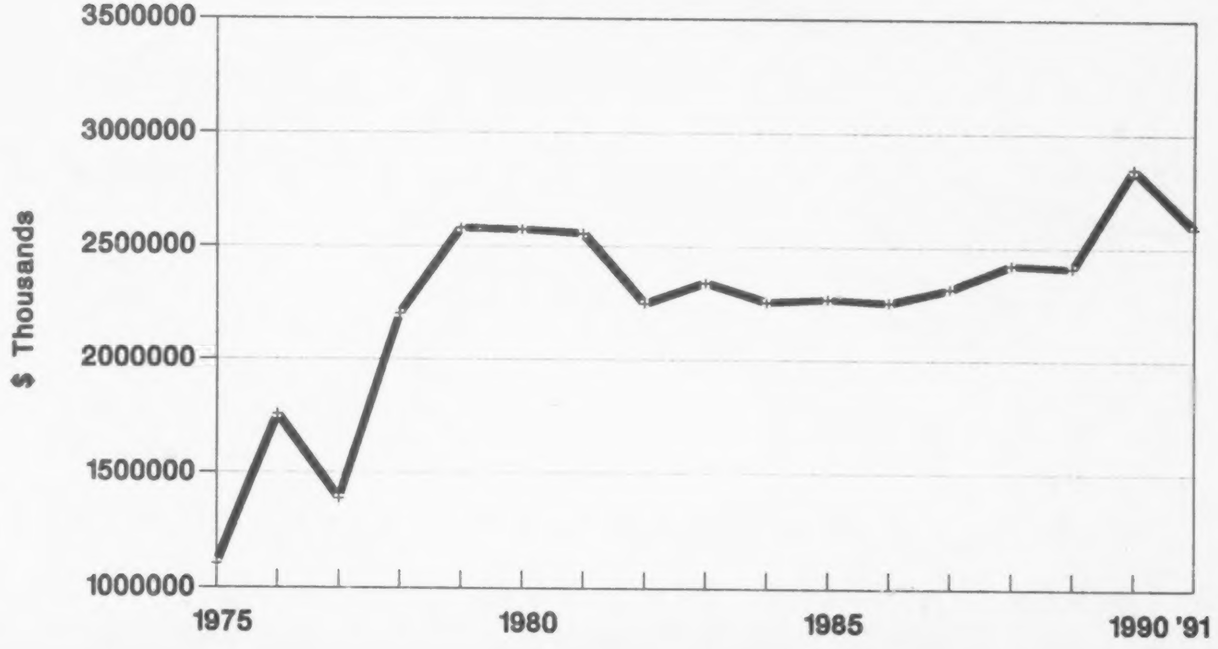
In Constant 1982 Dollars



* Excluding Defense and Net Interest

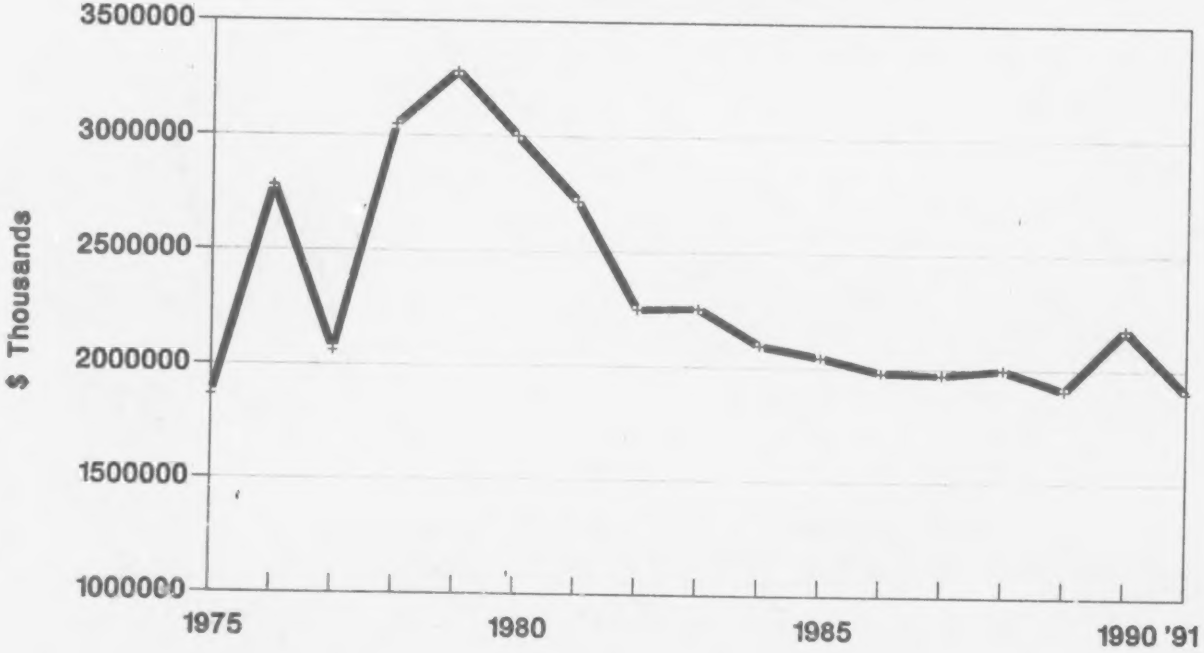
Graph 17
Overall Indian Budget, FY1975-91

In Current Dollars

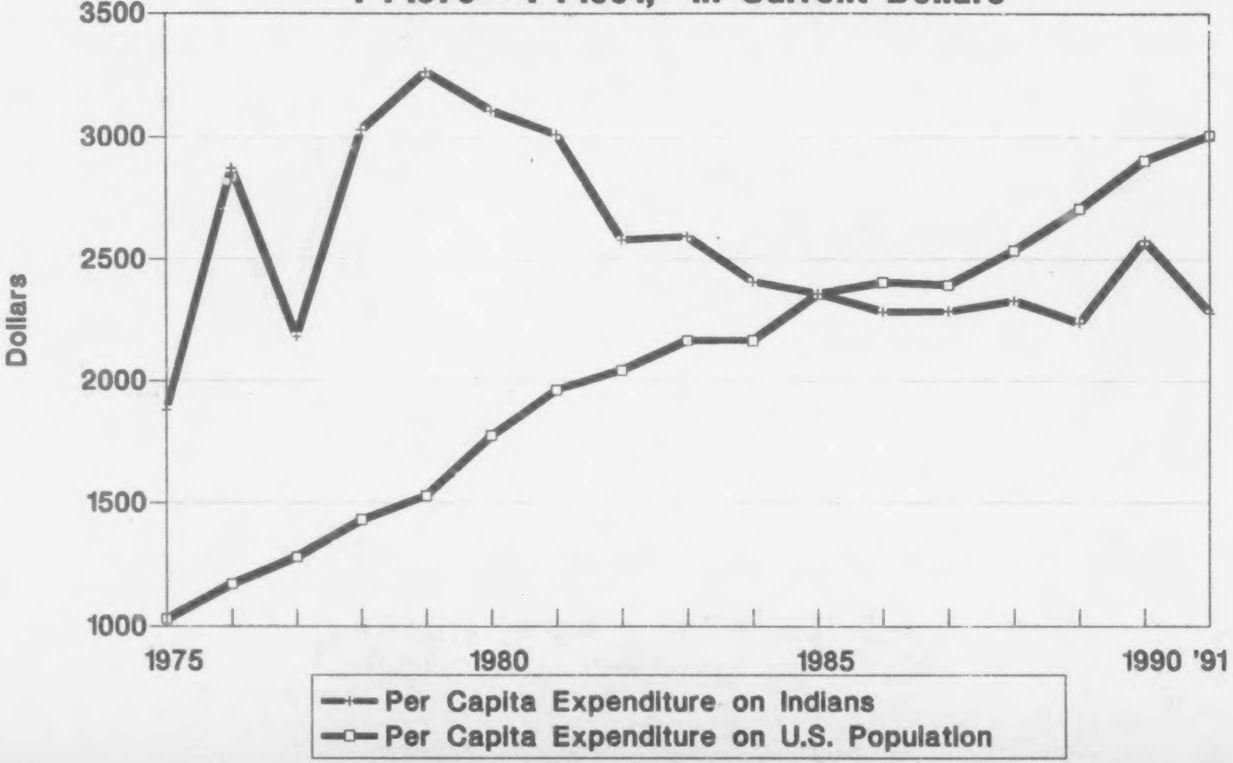


Graph 18
Overall Indian Budget, FY1975-91

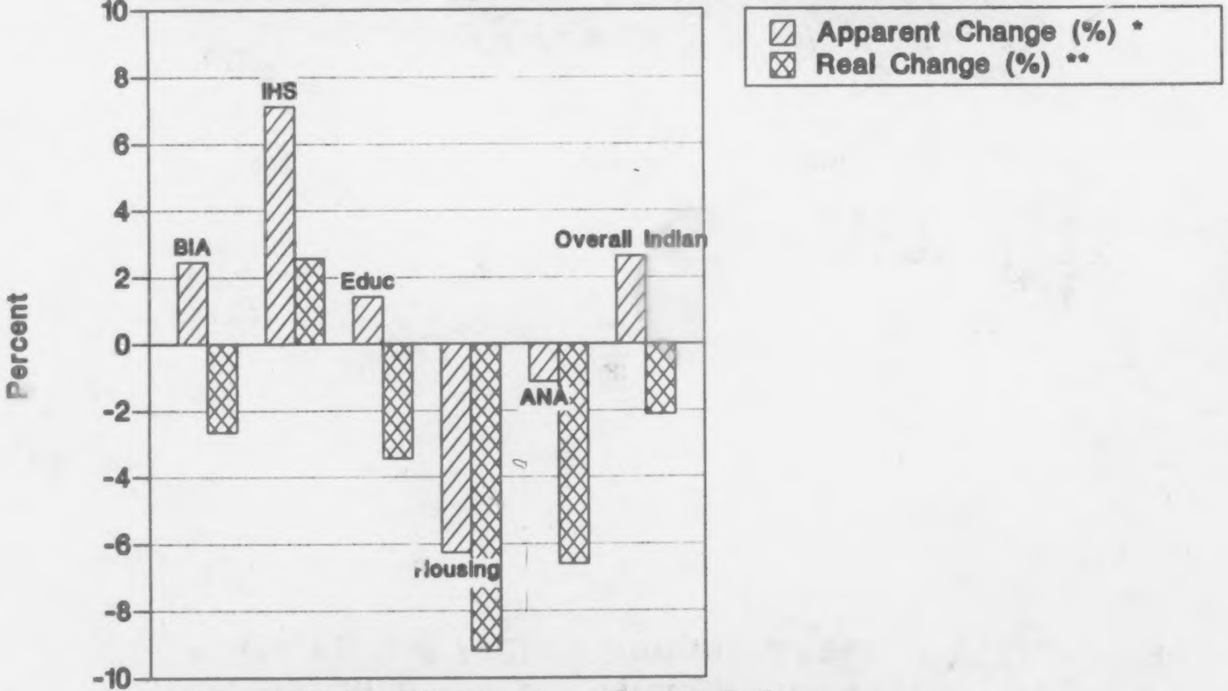
In Constant 1982 Dollars



Graph 19
Per Capita Expenditure: US Pop. & Indian Pop
FY1975 - FY1991, In Current Dollars



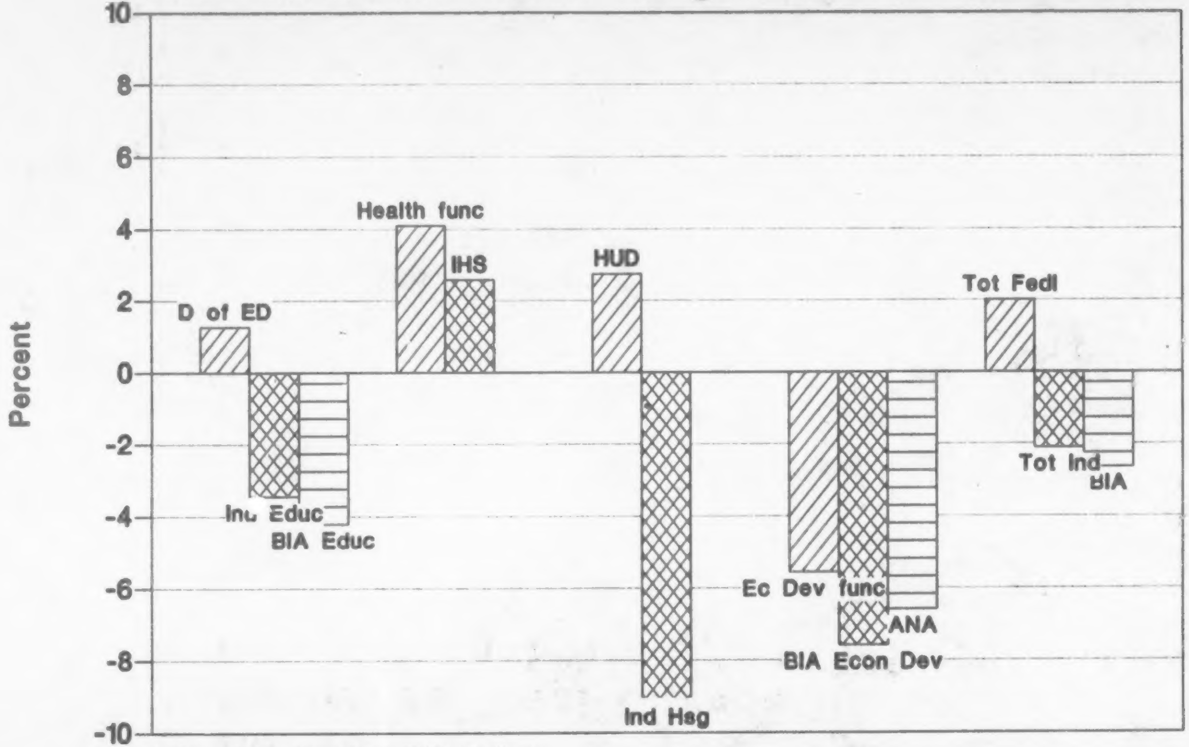
Graph 20
Apparent Vs. Real Change Ratios in Indian Budget Areas, FY1975-1991



* Change Ratio (%) based on Current Dollars

** Change Ratio (%) based on Constant 1982 Dollars

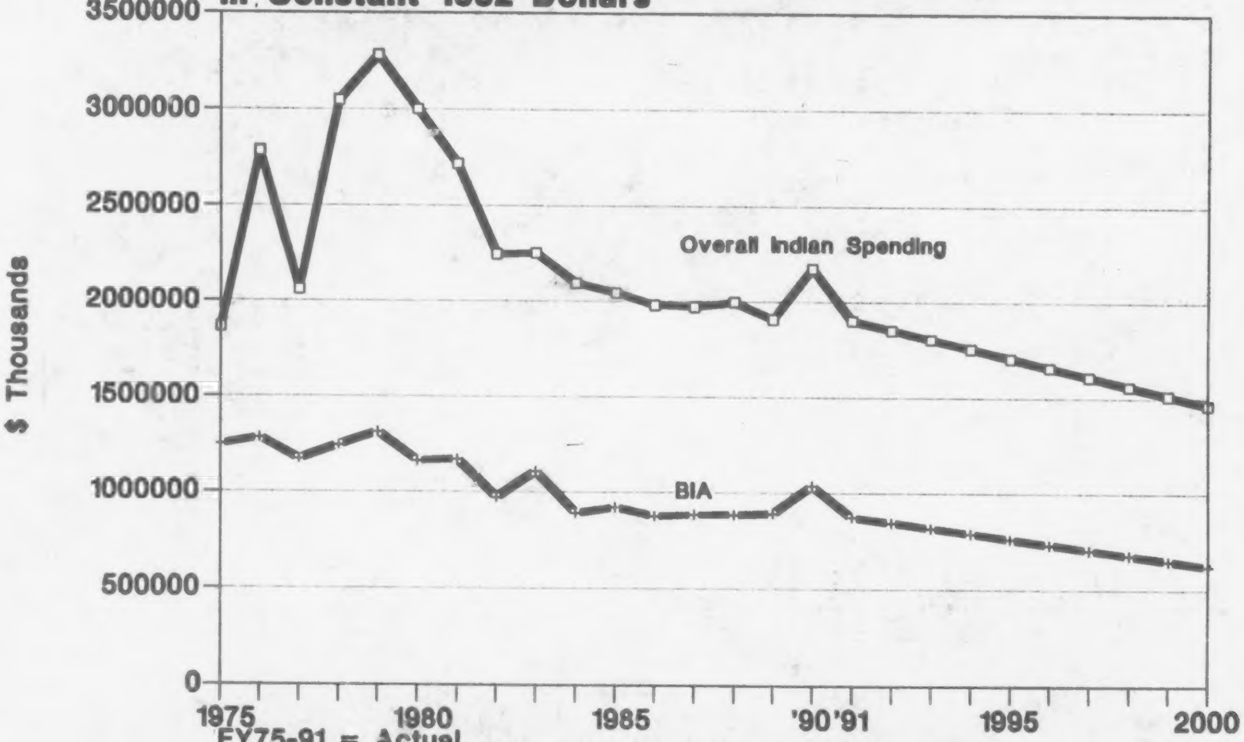
Graph 21
Comparison of Real* Change Ratios (In Percent) in Federal and Indian Budget Areas, FY1975-1991



* Based on Constant 1982 Dollars.

Graph 22: BIA & Overall Indian Spending, Actual & Projected, FY1975-2000

In Constant 1982 Dollars



FY75-91 = Actual.
FY92-2000 = Projections based on FY75-91 annual change.

Appendix Table 1. Budget Data for Selected Elements of the Federal Budget, in Current Dollars, FY1975-1991

[Dollar amounts in thousands, except per-capita figures]

Fiscal Year	Bureau of Indian Affairs (Approps.)	Indian Health Service (Approps.)	Indian Education in Dept. of Educ. (Approps.)	Indian Housing in HUD (B.A. Use)	Admin. for Native Americans (Approps.)	Overall Indian Budget
1975	$738,236	$293,103	$42,034	N/A	$32,000	$1,105,373
1976	$808,095	$338,926	$57,055	$511,200	$41,000	$1,756,276
1977	$787,359	$509,055	$57,212	N/A	$33,000	$1,386,626
1978	$897,740	$513,267	$59,732	$696,900	$33,000	$2,200,639
1979	$1,031,195	$569,153	$71,735	$874,300	$33,100	$2,579,483
1980	$994,227	$620,871	$75,900	$847,900	$33,800	$2,572,698
1981	$1,098,447	$869,762	$81,680	$471,500	$33,800	$2,555,189
1982	$970,360	$676,157	$77,852	$494,300	$28,000	$2,246,669
1983	$1,149,902	$752,916	$69,185	$340,600	$28,000	$2,340,603
1984	$957,593	$832,407	$68,780	$368,100	$29,000	$2,255,880
1985	$1,019,411	$862,203	$67,404	$290,200	$29,000	$2,268,218
1986	$995,693	$867,177	$64,187	$299,500	$27,742	$2,254,299
1987	$1,036,253	$940,750	$64,036	$245,000	$28,989	$2,315,028
1988	$1,071,406	$1,008,818	$64,234	$247,800	$29,679	$2,421,937
1989	$1,122,966	$1,081,993	$71,553	$102,699	$29,975	$2,409,186
1990E	$1,355,720	$1,252,970	$73,620	$136,099	$31,711	$2,850,120
1991P	$1,185,178	$1,295,080	$75,762	$0	$31,711	$2,587,731

Fiscal Year	BIA Education Program (Approps.)	BIA Indian Services Program* (Approps.)	BIA Economic Devt. Program** (Approps.)	BIA Natural Resources Program (Approps.)	U.S. Dept. of Education (Outlays)	U.S. Dept. of HHS (Outlays)
1975	$226,495	$98,703	$44,223	$31,337	$7,557,000	$39,997,000
1976	$243,590	$137,616	$52,441	$36,012	$8,049,000	$46,834,000
1977	$236,700	$159,118	$73,966	$45,536	$8,887,000	$53,464,000
1978	$258,203	$189,086	$76,422	$76,967	$10,037,000	$59,329,000
1979	$262,242	$205,198	$83,162	$75,338	$12,423,000	$65,038,000
1980	$270,033	$201,128	$77,971	$74,237	$14,770,000	$76,374,000
1981	$270,183	$227,249	$73,365	$85,711	$17,053,000	$89,774,000
1982	$265,606	$235,315	$52,884	$84,743	$14,808,000	$98,020,000
1983	$298,143	$277,865	$59,821	$119,241	$14,558,000	$125,941,000
1984	$255,754	$231,355	$59,009	$99,657	$15,511,000	$121,082,000
1985	$269,644	$219,071	$71,002	$124,101	$16,682,000	$132,104,000
1986	$257,299	$211,588	$60,810	$135,179	$17,673,000	$143,253,000
1987	$277,783	$252,761	$38,025	$144,428	$16,800,000	$148,893,000
1988	$238,434	$317,198	$39,543	$146,010	$18,246,000	$159,071,000
1989	$268,503	$293,150	$45,299	$181,696	$21,608,000	$172,301,000
1990E	$283,486	$296,093	$36,496	$124,014	$22,316,000	$191,174,000
1991P	$313,290	$303,208	$40,953	$119,831	$23,711,000	$204,082,000

See notes at end of table.

Appendix Table 1. Budget Data for Selected Elements of the Federal Budget, in Current Dollars, FY1975-1991 -- Continued

[Dollar amounts in thousands, except per-capita figures]

Fiscal Year	U.S. Dept. of HUD (Outlays)	U.S. Dept. of Interior (Outlays)	Education Function (Outlays)	Health Function (Outlays)	Economic Development Function (Outlays)
1975	$7,512,000	$2,223,000	$16,022,000	$12,930,000	$4,322,000
1976	$7,026,000	$2,435,000	$18,910,000	$15,734,000	$5,442,000
1977	$5,808,000	$3,216,000	$21,104,000	$17,302,000	$7,021,000
1978	$7,650,000	$3,878,000	$26,710,000	$18,524,000	$11,841,000
1979	$9,220,000	$4,174,000	$30,223,000	$20,494,000	$10,480,000
1980	$12,735,000	$4,477,000	$31,843,000	$23,169,000	$11,252,000
1981	$14,880,000	$4,461,000	$33,709,000	$26,866,000	$10,568,000
1982	$15,232,000	$3,948,000	$27,029,000	$27,445,000	$8,347,000
1983	$15,814,000	$4,552,000	$26,606,000	$28,641,000	$7,560,000
1984	$16,663,000	$4,947,000	$27,579,000	$30,417,000	$7,673,000
1985	$28,720,000	$4,825,000	$29,342,000	$33,542,000	$7,680,000
1986	$14,139,000	$4,789,000	$30,585,000	$35,936,000	$7,233,000
1987	$15,484,000	$5,050,000	$29,724,000	$39,968,000	$5,051,000
1988	$18,938,000	$5,147,000	$31,938,000	$44,490,000	$5,294,000
1989	$19,680,000	$5,213,000	$36,684,000	$48,390,000	$5,361,000
1990E	$22,802,000	$5,832,000	$37,652,000	$57,819,000	$8,776,000
1991P	$23,023,000	$5,698,000	$41,005,000	$63,698,000	$7,825,000

Fiscal Year	Natural Resources Function (Outlays)	U.S. Forest Service (Approps.)	U.S. Fish & Wildlife Service (Approps.)	Bureau of Land Management (Approps.)	Total Federal Non-Defense Budget*** (Outlays)
1975	$7,346,000	$1,032,627	$128,695	$398,892	$222,579,000
1976	$8,184,000	$1,041,911	$156,986	$425,670	$255,446,000
1977	$10,032,000	$1,381,031	$215,712	$477,513	$282,076,000
1978	$10,983,000	$1,743,837	$287,030	$778,783	$318,793,000
1979	$12,135,000	$1,883,000	$341,725	$845,929	$344,507,000
1980	$13,858,000	$2,049,802	$299,448	$926,720	$404,413,000
1981	$13,568,000	$2,112,684	$300,097	$1,032,942	$451,962,000
1982	$12,998,000	$1,992,050	$329,516	$1,232,512	$475,402,000
1983	$12,672,000	$2,131,500	$329,642	$1,109,262	$508,650,000
1984	$12,593,000	$2,165,926	$376,522	$653,251	$513,310,000
1985	$13,357,000	$2,268,483	$433,825	$844,705	$564,138,000
1986	$13,639,000	$2,473,708	$367,541	$564,154	$580,914,000
1987	$13,363,000	$2,365,020	$426,036	$692,159	$583,261,000
1988	$14,606,000	$2,553,102	$426,055	$774,904	$621,935,000
1989	$16,182,000	$2,780,203	$456,696	$871,612	$669,947,000
1990E	$17,499,000	$2,784,137	$533,506	$1,266,491	$725,303,000
1991P	$18,168,000	$2,744,540	$535,661	$1,007,833	$757,101,000

See notes at end of table.

Appendix Table 1. Budget Data for Selected Elements of the Federal Budget, in Current Dollars, FY1975-1991 -- Continued

[Dollar amounts in thousands, except per-capita figures]

Fiscal Year	U.S. Population	Indian Population (IHS data)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure	Implicit Price Deflator for GNP (1982=100)
1975	215,973,000	587,468	$1,031	$1,882	59.3
1976	218,035,000	611,296	$1,172	$2,873	63.1
1977	220,239,000	635,313	$1,281	$2,183	67.3
1978	222,585,000	726,551	$1,432	$3,029	72.2
1979	225,055,000	790,486	$1,531	$3,263	78.6
1980	227,757,000	828,609	$1,776	$3,105	85.7
1981	230,138,000	849,315	$1,964	$3,009	94.0
1982	232,520,000	870,963	$2,045	$2,580	100.0
1983	234,799,000	902,627	$2,166	$2,593	103.9
1984	237,001,000	937,043	$2,166	$2,407	107.7
1985	239,283,000	961,884	$2,358	$2,358	110.9
1986	241,596,000	986,881	$2,404	$2,284	113.8
1987	243,773,000	1,012,872	$2,393	$2,286	117.4
1988	245,302,000	1,039,841	$2,535	$2,329	121.3
1989	247,498,000	1,076,417	$2,707	$2,238	126.3
1990E	249,657,000	1,105,486	$2,905	$2,578	131.0
1991P	251,767,000	1,134,719	$3,007	$2,281	136.1

NOTES:
* Includes Tribal Services and Navajo-Hopi Settlement Program.
** Includes Road Maintenance program.
*** Excludes national defense and net interest payments on national debt.
N/A Not available
E Estimates
P Proposed amounts and projections

SOURCES: See text.

Appendix Table 2. Budget Data for Selected Elements of the Federal Budget, in Constant 1982 Dollars, FY1975-1991

[Dollar amounts in thousands, except per-capita figures]

Fiscal Year	Bureau of Indian Affairs (Approps.)	Indian Health Service (Approps.)	Indian Education in Dept. of Educ. (Approps.)	Indian Housing in HUD (B.A. Use)	Admin. for Native Americans (Approps.)	Overall Indian Budget
1975	$1,244,917	$494,272	$70,884	N/A	$53,963	$1,864,035
1976	$1,280,658	$537,125	$90,420	$810,143	$64,976	$2,783,322
1977	$1,169,924	$756,397	$85,010	N/A	$49,034	$2,060,366
1978	$1,243,407	$710,896	$82,731	$965,235	$45,706	$3,047,976
1979	$1,311,953	$724,113	$91,266	$1,112,341	$42,112	$3,281,785
1980	$1,160,125	$724,470	$88,565	$989,382	$39,440	$3,001,981
1981	$1,168,561	$925,279	$86,894	$501,596	$35,957	$2,718,286
1982	$970,360	$676,157	$77,852	$494,300	$28,000	$2,246,669
1983	$1,106,739	$724,654	$66,588	$327,815	$26,949	$2,252,746
1984	$889,130	$772,894	$63,863	$341,783	$26,927	$2,094,596
1985	$919,216	$777,460	$60,779	$261,677	$26,150	$2,045,282
1986	$874,950	$762,018	$56,403	$263,181	$24,378	$1,980,931
1987	$882,669	$801,320	$54,545	$208,688	$24,693	$1,971,915
1988	$883,270	$831,672	$52,955	$204,287	$24,467	$1,996,650
1989	$889,126	$856,685	$56,653	$81,314	$23,733	$1,907,511
1990E	$1,035,113	$956,662	$56,210	$103,914	$24,212	$2,176,111
1991P	$870,935	$951,698	$55,674	$0	$23,303	$1,901,610

Fiscal Year	BIA Education Program (Approps.)	BIA Indian Services Program* (Approps.)	BIA Economic Devt. Program** (Approps.)	BIA Natural Resources Program (Approps.)	U.S. Dept. of Education (Outlays)	U.S. Dept. of HHS (Outlays)
1975	$381,948	$166,447	$74,575	$52,845	$12,743,676	$67,448,567
1976	$386,038	$218,092	$83,108	$57,071	$12,755,943	$74,221,870
1977	$351,709	$236,431	$109,905	$67,661	$13,205,052	$79,441,308
1978	$357,622	$261,892	$105,848	$106,602	$13,901,662	$82,173,130
1979	$333,641	$261,066	$105,804	$95,850	$15,805,344	$82,745,547
1980	$315,091	$234,688	$90,981	$86,624	$17,234,539	$89,117,853
1981	$287,429	$241,754	$78,048	$91,182	$18,141,489	$95,504,255
1982	$265,606	$235,315	$52,884	$84,743	$14,808,000	$98,020,000
1983	$286,952	$267,435	$57,576	$114,765	$14,011,550	$121,213,667
1984	$237,469	$214,814	$54,790	$92,532	$14,402,043	$112,425,255
1985	$243,142	$197,539	$64,023	$111,904	$15,042,381	$119,119,928
1986	$226,098	$185,930	$53,436	$118,786	$15,529,877	$125,881,371
1987	$236,612	$215,299	$32,389	$123,022	$14,310,051	$126,825,383
1988	$196,566	$261,499	$32,599	$120,371	$15,042,045	$131,138,500
1989	$212,591	$232,106	$35,866	$143,861	$17,108,472	$136,422,011
1990E	$216,446	$226,072	$27,865	$94,687	$17,038,613	$145,964,324
1991P	$230,223	$222,814	$30,095	$88,059	$17,424,175	$149,970,917

See notes at end of table.

Appendix Table 2. Budget Data for Selected Elements of the Federal Budget, in Constant 1982 Dollars, FY1975-1991 -- Continued

[Dollar amounts in thousands, except per-capita figures]

Fiscal Year	U.S. Dept. of HUD (Outlays)	U.S. Dept. of Interior (Outlays)	Education Function (Outlays)	Health Function (Outlays)	Economic Development Function (Outlays)
1975	$12,667,791	$3,748,735	$27,018,550	$21,804,384	$7,288,364
1976	$11,134,707	$3,858,954	$29,968,304	$24,935,024	$8,624,406
1977	$8,630,015	$4,778,603	$31,358,098	$25,708,767	$10,432,392
1978	$10,595,568	$5,371,191	$36,994,460	$25,656,510	$16,400,277
1979	$11,730,280	$5,310,433	$38,451,654	$26,073,791	$13,333,333
1980	$14,859,977	$5,224,037	$37,156,359	$27,035,006	$13,129,522
1981	$15,829,787	$4,745,745	$35,860,638	$28,580,851	$11,242,553
1982	$15,232,000	$3,948,000	$27,029,000	$27,445,000	$8,347,000
1983	$15,220,404	$4,381,136	$25,607,315	$27,565,929	$7,276,227
1984	$15,471,681	$4,593,315	$25,607,242	$28,242,340	$7,124,420
1985	$25,897,205	$4,350,766	$26,458,070	$30,245,266	$6,925,158
1986	$12,424,429	$4,208,260	$26,876,098	$31,578,207	$6,355,888
1987	$13,189,097	$4,301,533	$25,318,569	$34,044,293	$4,302,385
1988	$15,612,531	$4,243,199	$26,329,761	$36,677,659	$4,364,386
1989	$15,581,948	$4,127,474	$29,045,131	$38,313,539	$4,244,656
1990E	$17,409,682	$4,452,823	$28,747,888	$44,145,706	$6,700,613
1991P	$16,918,594	$4,187,210	$30,132,777	$46,808,868	$5,750,250

Fiscal Year	Natural Resources Function (Outlays)	U.S. Forest Service (Approps.)	U.S. Fish & Wildlife Service (Approps.)	Bureau of Land Management (Approps.)
1975	$12,387,858	$1,741,361	$217,024	$672,668
1976	$12,969,889	$1,651,206	$248,789	$674,596
1977	$14,906,389	$2,052,052	$320,523	$709,529
1978	$15,211,911	$2,415,287	$397,548	$1,078,647
1979	$15,438,931	$2,395,674	$434,765	$1,076,246
1980	$16,170,362	$2,391,834	$349,414	$1,081,354
1981	$14,434,043	$2,247,536	$319,252	$1,098,874
1982	$12,998,000	$1,992,050	$329,516	$1,232,512
1983	$12,196,343	$2,051,492	$317,269	$1,067,625
1984	$11,692,665	$2,011,073	$349,603	$606,547
1985	$12,044,184	$2,045,521	$391,186	$761,682
1986	$11,985,062	$2,173,733	$322,971	$495,742
1987	$11,382,453	$2,014,497	$362,893	$589,573
1988	$12,041,220	$2,104,783	$351,241	$638,833
1989	$12,812,352	$2,201,269	$361,596	$690,112
1990E	$13,360,759	$2,125,732	$407,340	$966,986
1991P	$13,350,867	$2,016,842	$393,634	$740,612

See notes at end of table.

Appendix Table 2. Budget Data for Selected Elements of the Federal Budget, in Constant 1982 Dollars, FY1975-1991 -- Continued

[Dollar amounts in thousands, except per-capita figures]

Fiscal Year	Total Federal Non-Defense Budget*** (Outlays)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure
1975	$375,344,013	$1,738	$3,173
1976	$404,827,258	$1,857	$4,553
1977	$419,132,244	$1,903	$3,243
1978	$441,541,551	$1,984	$4,195
1979	$438,304,071	$1,948	$4,152
1980	$471,893,816	$2,072	$3,623
1981	$480,810,638	$2,089	$3,201
1982	$475,402,000	$2,045	$2,580
1983	$489,557,267	$2,085	$2,496
1984	$476,610,956	$2,011	$2,235
1985	$508,690,712	$2,126	$2,126
1986	$510,469,244	$2,113	$2,007
1987	$496,815,162	$2,038	$1,947
1988	$512,724,650	$2,090	$1,920
1989	$530,441,013	$2,143	$1,772
1990E	$553,780,127	$2,218	$1,968
1991P	$556,360,342	$2,210	$1,676

NOTES:
* Includes Tribal Services and Navajo-Hopi Settlement Program.
** Includes Road Maintenance program.
*** Excludes national defense and net interest payments on national debt.
N/A Not available
E Estimates
P Projections

SOURCES: See text.

DAVID PRYOR ARKANSAS CHAIRMAN

JOHN GLENN OHIO
BILL BRADLEY NEW JERSEY
QUENTIN N BURDICK NORTH DAKOTA
J BENNETT JOHNSTON LOUISIANA
JOHN B BREAUX LOUISIANA
RICHARD SHELBY ALABAMA
HARRY REID NEVADA
BOB GRAHAM FLORIDA
HERBERT KOHL WISCONSIN

JOHN HEINZ PENNSYLVANIA
WILLIAM S COHEN MAINE
LARRY PRESSLER SOUTH DAKOTA
CHARLES E GRASSLEY IOWA
PETE WILSON CALIFORNIA
PETE V DOMENICI NEW MEXICO
ALAN K SIMPSON WYOMING
JOHN WARNER VIRGINIA
NANCY LANDON KASSEBAUM KANSAS

PORTIA PORTER MITTELMAN STAFF DIRECTOR
CHRISTOPHER C JENNINGS DEPUTY STAFF DIRECTOR
JEFFREY R LEWIS MINORITY STAFF DIRECTOR

United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, DC 20510-6400

March 12, 1990

The Honorable Jim Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Member
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Jim and Pete:

I am writing to respond to your request for comments with regard to fiscal year 1991 budget priorities. I appreciate the opportunity to contribute to your Committee's development of the budget resolution.

Enclosed you will find copies of an Aging Committee staff analysis of President Bush's budget proposal as it pertains to programs serving older Americans. A number of these proposals are troubling, particularly in the absence of any comprehensive budget reform and a notable lack of a "peace dividend."

The Administration's proposed $5.2 billion cut in the Medicare program is unrealistic and unacceptable. While the program represents a major component of Federal spending, it cannot continue to absorb such major cuts without damaging the health care system and limiting access to essential and high quality care.

The proposed cuts in Medicare Part A hospital payments are of special concern in light of increasing evidence of financial hardship among hospitals, including the growing number of hospital closures. The budget includes particularly harsh cuts in payments to hospitals for capital and medical education. Moreover, the President's single hospital update of 4.1 percent is inadequate and will unfairly burden hospitals, particularly rural hospitals. The update factor is a full percent lower than that recommended by the Prospective Payment Assessment Commission (ProPAC). If enacted, such a proposal would not only harm providers who have already incurred financial hardship under Medicare, but also harm beneficiaries who might be the victims of cost-saving sacrifices in access to and quality of medical care.

It is pleasing to note that the Administration's budget proposal does not include Medicaid cuts. At the same time, however, I must express concern that the proposal does not include needed expansions in this area that would improve access to health care.

To address this shortcoming, adequate budget allocations for proposals to improve the Medicaid program by permitting states, at their option, to cover community care for disabled elderly persons should be supported. This would enable states to avoid limiting long-term care services to only those who are at-risk of institutionalization. Such measures would provide a modest, but important, first step in providing needed noninstitutional long-term care services for the chronically ill.

Although I am writing in my capacity as Aging Committee Chairman, I would like to point out my concern about the lack of any policy or budget proposals that begin to address the Nation's over 31 million persons under the age of 65 who are without insurance. To the extent possible, I would urge you to support even modest efforts that take steps to address this issue.

While this letter raises concerns about many Administration budget proposals, it is important to note positive developments. The President made the correct decision in not requesting any reductions in Social Security benefits or staffing levels at the Social Security Administration (SSA). SSA has already sustained the loss of 17,500 positions since 1985. As a result, serious concerns continue to be raised about the ability of SSA's field offices to provide high quality service to beneficiaries.

Similar to last year's proposal, however, President Bush's budget would eliminate in 1991, and reduce in the out-years, the cost-of-living adjustments for civil service, military and railroad (Tier 2) retirees. Without a full adjustment to offset the effects of inflation, these retirees will be unable to keep pace with increasing inflation rates. The reason this proposal has been rejected time and time again is because it is unfair to single out this population of retirees who need inflation protection just as much as do Social Security beneficiaries.

With respect to programs serving the low-income elderly, the Budget Committee should give serious consideration to the need for additional resources to expand outreach efforts under Supplemental Security Income (SSI). Recent reports show that up to one-half of the eligible elderly do not participate in SSI, most often due to lack of information concerning the program. It is my hope the budget resolution will contain sufficient funding levels to remedy this and other deficiencies related to the SSI program.

The President's budget for housing programs is also of deep concern. While it is refreshing to see that the administration is proposing its new Homeownership and Opportunity for People Everywhere (HOPE) housing initiative, the fiscal year 1991 budget proposal continues Reagan Administration trends that have been adverse to the housing needs of the elderly, and other low-income populations.

The President's FY 1991 budget proposal continues the dramatic decline in the number of funded units in the Section 202 housing program for the elderly and disabled, by calling for a 53 percent reduction in the number of Section 202 units over FY 1990 -- from 8,368 units to 3,967 total units. Budget Authority for Section 202 has already decreased by 81 percent since 1981, from $1.2 billion to the FY 91 request of $228 million (numbers adjusted for inflation). In addition, the President's budget does not adequately address the concern of congressional housing leaders about expiring 15-year Section 8 certificates and 5-year Section 8 vouchers. Finally, the President's proposed elimination of the small but highly successful Congregate Housing Services Program (CHSP) raises major concerns. CHSP represents the only Federal initiative to ensure that frail elderly and disabled tenants of public housing and Section 202 units receive essential services so that they may remain in their home and not be forced into nursing homes. This program must be kept intact.

The time has come to reassert our commitment to providing safe and affordable housing to Americans of all ages, including the elderly. Therefore, I would urge you not only to reject the President's proposed cuts in housing programs, but also to work to formulate a Federal housing policy that will help ensure that the shelter needs of all Americans are being met.

With respect to the Older Americans Act, the President's budget would freeze a number of programs at their FY 1990 post-sequestration level and cut others beyond that level. Under his budget, community-based services under title III would be reduced by 4 percent. Of particular concern is the detrimental impact these cuts would have on the reach of the Meals on Wheels and Congregate Meals programs. At the same time, funding for research and training activities under title IV would be decreased by the $1 million slated for the 1991 White House Conference on Aging within this same account. While every member of the Senate Aging Committee has strongly supported the White House Conference, it is difficult to conceive that there would be significant support for financing the conference at the expense of other funding for other needed activities. In addition, title V senior employment cuts are compounded by a failure to take into account the increase in the minimum wage, resulting in a cut of $29 million. In view of the critical role these programs play in meeting the most basic needs of elderly Americans, I would urge you to reject these cuts and ensure that they are maintained at their current level of services.

The President's proposal to virtually eliminate the Community Services Block Grant program also raises major concerns. Such drastic cuts would make it impossible for this program to continue to provide the wide variety of services it currently does that meet the health, nutrition, and employment needs of individuals who are poor, elderly, and infirm.

Finally, I must raise my deep concerns about President Bush's proposal to single out the Low Income Energy Assistance Program (LIHEAP) for a massive -- in this case, $363 million -- funding cut. Since 1985, this vital program for vulnerable low-income persons has repeatedly been the target of deep cuts. In fact, the President's budget request is exactly half of the FY 1985 level and 25 percent below the amount appropriated for the current fiscal year. Because the elderly are particularly susceptible to hypothermia and heat stroke, continued major cuts to the LIHEAP program would be devastating to the 40 percent of program recipients who are over age 65. Considering the fact that less than one-third of those eligible are provided assistance under LIHEAP, significant cuts to this program are unacceptable.

In the development of the Senate budget resolution for fiscal year 1991, I hope that programs serving the elderly will receive the funding targets needed for them to remain effective. I appreciate your consideration of this letter and look forward to working with you on balancing the very real needs of our elderly, our children and our poor with the need to reduce the federal deficit.

Sincerely,

David Pryor
Chairman

DP/ac
Enclosures

cc: The Honorable John Heinz

INFORMATION PAPER

PRESIDENT BUSH'S PROPOSED FY91 BUDGET FOR AGING PROGRAMS

SENATE SPECIAL COMMITTEE ON AGING
Staff Report

March 1990

TABLE OF CONTENTS

Page

Table of Contents i

Preface ii

SECTION I: Budget Overview 1

SECTION II: Highlights of Budget Proposals 3

SECTION III: Detailed Program Analysis 8

HEALTH:
Medicare 9
Medicaid 15
Veterans Health 17
National Institutes of Health 18
National Institute on Aging 20
Health Resources & Services Administration .. 21

INCOME:
Social Security 22
Supplemental Security Income 23
Railroad Retirement 24
Federal Civilian Retirement 25
Military Retirement 26
Veterans Pensions 27
Veterans Compensation 28
Veterans Burial 29
Pension Benefit Guaranty Corporation 30
Pension and Welfare Administration 31

SERVICES:
Older Americans Act 32
Senior Community Service Employment 35
Community Service Block Grant 36
Social Services Block Grant 37
Action Volunteer Programs 38

HOUSING:
Section 202 Housing 39
Congregate Housing 40
Low-Income Home Energy Assistance 41

TAXATION:
Tax Expenditures 42
New Tax Proposals 44

PREFACE

This information paper, prepared by the staff of the United States Senate Special Committee on Aging, analyzes the full range of fiscal year 1991 budget proposals affecting older Americans. It outlines President Bush's proposed budget, regulatory initiatives, and legislative reforms for aging programs for the coming fiscal year. Included are the proposed budgets for Medicare and Medicaid; income and retirement programs; Veterans benefits; health and social service programs; and education, training and research programs.

In each program area, the proposed spending and revenue levels for FY91 through FY93 in the Bush budget are analyzed against current service projections, as measured by the Office of Management and Budget and the Congressional Budget Office, where available.*

---

* Throughout this document, "n/a" denotes that the figure is not available, and (*) means that the change from current services is less than one-half percent. Budget authority figures are used for discretionary programs, while outlay numbers are used for entitlement programs.

SECTION I
BUDGET OVERVIEW

According to the Congressional Budget Office (CBO), the Bush budget would produce a total fiscal year 1991 spending level of $1.277 trillion in outlays and $1.146 trillion in receipts for a total deficit of $131 billion. Under CBO's projections, the President's budget plan would not meet the $64 billion deficit target required by the Gramm-Rudman-Hollings budget deficit law (P.L.99-177) in the coming fiscal year.

In contrast, the Office of Management and Budget (OMB) concludes that the deficit under the Bush budget would be $900 million below the mandatory deficit target and $10.9 billion below the deficit threshold ($74 billion) that would trigger automatic sequestration. Because the Gramm-Rudman-Hollings law relies on OMB-based deficit projections, sequestration would not be triggered.

The large difference between CBO- and OMB-budget deficit estimates arises largely because the Administration's budget uses more optimistic economic assumptions than does CBO. In addition, OMB's deficit projections do not reflect the very sizable needs of the newly established Resolution Trust Corporation.

Following accounting rules set out in the Gramm-Rudman-Hollings law, both CBO and OMB deficit calculations include the Social Security Trust Funds. The Trust Funds, which are running a large and ever-growing surplus, thus continue to offset an increasing share of the federal budget deficit.

OVERALL BUDGET
(in billions)

			Estimated		
		FY90	FY91	FY92	FY93
Proposed Receipts:					
OMB		1,074	1,170	1,246	1,328
CBO		1,068	1,146	1,208	1,276
Proposed Spending:					
OMB		-1,197	-1,233	-1,271	-1,322
CBO		-1,226	-1,277	-1,292	-1,355
Deficit w/ SSTF*:					
OMB		-124	-63	-25	-6
CBO		-158	-131	-84	-79
G-R-H Targets:	-136	-100	-64	-28	0

* Social Security Trust Funds

BUDGET DEFICIT WITH AND WITHOUT SOCIAL SECURITY

(in billions)

		Estimated		
	FY90	FY91	FY92	FY93
Deficit (w/SSTF*)				
OMB:	-124	-63	-25	6
CBO:	-158	-131	-84	- 79
(-) SSTF Surplus				
OMB:	62	80	93	107
CBO:	65	76	88	98
(=) Budget Deficit (w/o SSTF):				
OMB:	-186	-143	-118	-101
CBO:	-223	-207	-172	-177
G-R-H Targets:	100	64	28	0

* Social Security Trust Funds

Highlights

* While CBO concludes that the Bush budget fails to meet the FY 91 G-R-H deficit reduction target of $64 billion, OMB estimates that the Bush deficit would fall $900 million below the target.

* Both OMB and CBO deficit projections include the Social Security Trust Funds, which are running a large and growing surplus and therefore offsetting a proportionately increasing share of the deficit.

SECTION II
HIGHLIGHTS OF BUDGET PROPOSALS AFFECTING AGING PROGRAMS

Many of the President's initiatives for aging programs have been proposed by the former Administration and rejected by the Congress. Other Bush proposals are extensions of savings and revenue initiatives which have already been enacted into law. Major cuts are targeted at Medicare ($5.2 billion), housing ($210 million), low-income energy assistance ($264 million), Senior Community Service Employment (Title V of the Older Americans Act, at $29 million), Community Services Block Grant program ($363 million), and civil, military, and railroad retirement benefits ($2.1 billion).

Previous proposals: Reductions in payments to Medicare providers (extensions and deeper cuts in provider payments along the same lines as the Omnibus Budget Reconciliation Act of 1987); extension of Hospital Insurance (HI) payroll tax (and Medicare coverage) to all state and local employees; cuts in medical education, housing, energy assistance programs; the elimination of selected health, social service, legal aid, professional training, and housing programs; and the elimination of the federal retiree lump-sum pension option and a one-year freeze, followed by a reduction, of the COLA for federal civil and military retirees.

New proposals: Incentives to enroll Medicare and Medicaid beneficiaries in managed-care programs; and, establishment of a Family Saving Account Plan to promote savings and long-term economic growth.

Bush Budget: FY 91 - March, 1990 CBO Estimates
(in billions)

	Request	Current Services	Difference
MEDICARE	122.0	116.8	-5.2
Part A (HI)	64.5	67.5	-3.0
Part B (SMI)	47.2	49.3	-2.1
	Reduce funding for Part A Capital, Indirect Medical Education, & PPS updates and Part B non-primary care physicians & overpriced procedures.		
MEDICAID	45.4	45.1	-.30
	Increase spending by 12% over FY90 allocations. Enhance match for states that enroll Medicaid recipients in managed care, and beginning in 1992, reduce payments for states that continue to use traditional fee-for-service.		

Bush Budget: FY 91 - March, 1990 CBO Estimates
(in millions)

	Request	Current Services	Difference
VETERANS HEALTH	12,579*	12,160*	419
	Increase pay for health professionals. Require co-payments for VA outpatient visits, prescription drugs, and cost recovery for treatment of non-service connected disabilities from service-connected veterans who have health insurance (savings of $112 million).		
*OMB number			
NIH	7,930	7,900	30
NIA	249	250	- 1
	Increase the NIH budget by $354 million above the 1990 level. Increase NIA budget by $9.4 million. Reduce number of new NIA grants (194 in 1989, 156 in 1990, and 153 in 1991). Direct 30% of grants for Alzheimer's research.		
HRSA	1,587	1,838	-251
	Reduce grants for health care students, with the exception of minority programs which are expanded.		
SOCIAL SECURITY	265,800	265,800	0
	No major benefits change. Raise $2.3 billion in FY 1991 by extending Social Security coverage to all state and local workers who are not covered under a different pension system and for D.C. employees hired after Jan. 1, 1991.		
SSI	14,632	14,447	185
	Raise $55 million in FY91 by charging states a fee for the administration of their SSI supplemental program. 18 states affected. Also "paper" increase of $255 million in FY 91 as a result of accounting change.		

Bush Budget: FY 91 - March, 1990 CBO Estimates
(in millions)

	Request	Current Services	Difference
RAILROAD RETIREMENT			
	4,372	4,435	-63
	Privatize RR Retirement, eliminate Tier II COLA in FY 1991 and change Tier II COLA formula thereafter to a CPI-1 formula. Also finance 25% of federal windfall through the rail pension trust fund (estimated savings of $80 million).		
FEDERAL CIVILIAN AND MILITARY RETIREMENT			
Civilian	31,905	33,996	-2,091
Military	22,335	22,976	-641
	Eliminate FY 1991 COLA for federal civilian and military retirees and reduce thereafter the COLA to CPI-1%. Civil service retirees can no longer remove their contributions as a lump sum.		
VETERANS COMPENSATION, PENSIONS, AND BURIAL BENEFITS			
Pensions	3,847	3,877	-30
Compensation	11,7961	11,934	-138
Burial	140	140	0
	Make COLA automatic instead of annually legislating COLA. Assumes a January 1991 COLA of 3.9%. Save $171 million by placing a limit on estates of mentally incompetent veterans.		
PENSIONS BENEFITS			
PGBC:	264	264	0
PWBA	90	77	13
	No major changes for the Pension Benefit Guaranty Corporation (PBGC). Increase funding to Pension Welfare and Benefits Administration for more pension enforcement and protection activities.		
OLDER AMER. ACT			
	748	779	-31
	Reduce funding for Title III programs (community-based services) by 4.0% and Title VI (Native American grants) by 3.7%.		

Bush Budget: FY 91 - March, 1990 CBO Estimates
(in millions)

	Request	Current Services	Difference
COMMUNITY SERVICES			
CSBG:	0.042	412	-363
SSBG:	2,802	2,988	-188
Senior Employment (Title V of OAA):	343	372	- 29

Eliminate Community Service Block Grants (except for a homeless program). Increase funding for Social Service Block Grants, but far short of the amount necessary to offset CSBG cuts. Cut FY 1991 funding for Senior employment by $29 million and freeze thereafter.

ACTION VOLUNTEERS	121	123	-2

- Increase stipend for Foster Grandparents from $2.15 to 2.35 per hour and maintain total service hours.

HOUSING/ENERGY ASSIST.			
Section 202:	220	430	-210
CHSP:	0	6.3	-6.3
LIHEAP:	1,100	1,463	-363

Reduce sharply section 202 elderly housing (from 8,368 units in FY90 to 3,967 units in FY91). Fund 3,000 units of leased housing. Eliminate Congregate Housing Services Program. Continue multi-year cuts of Low-Income Home Energy Assistance Program (from a FY85 funding level of $2.1 billion to a FY91 funding level of $1.1 billion).

TAX EXPENDITURES IN AGING-RELATED AREAS

No major tax change in allowable deductions for health, housing credit, income security, and support for the aged and the blind. Tax deductions provided by the government for pensions ($57 billion in 1989) represents the single largest tax expenditure of the government. The third largest government expenditure goes to employer contributions for medical insurance premiums and medical care ($32.4 billion in 1989).

NEW TAX PROPOSALS IN AGING-RELATED AREAS

Increase savings and long-term investment by instituting a Family Savings Acct. Plan and enhancing IRAs. Allow employers to use a limited amount of pension fund assets to pay for retiree health costs. Make permanent the 25% tax deduction provided to self-employed persons for the cost of health insurance costs.

SECTION III

DETAILED PROGRAM ANALYSIS

MEDICARE
(in billions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
OUTLAYS:[1]					
Medicare Part A (HI)					
OMB					
Current Services	57.4	62.8	62.3	68.8	75.1
Bush Budget			59.0	64.6	70.6
Proposed Savings:			-3.3	-4.2	-4.5
CBO					
Current Services	58.2	63.9	67.5	75.5	83.2
Bush Budget			64.5	71.7	79.0
Proposed Savings:			-3.0	-3.8	-4.2
Medicare Part B (SMI)					
OMB					
Current Services	36.9	43.1	45.8	52.0	59.2
Bush Budget			43.8	48.2	59.3
Proposed Savings:			-2.0	-3.8	-5.3
CBO					
Current Services	38.2	43.4	49.3	57.1	65.2
Bush Budget			47.2	53.4	59.9
Proposed Savings:			-2.1	-3.7	-5.3
TOTALS					
OMB					
Current Services	94.3	105.9	108.1	120.8	134.3
Bush Budget			102.7	112.9	124.4
Proposed Savings[2]:			-5.4	-7.9	-9.9
CBO					
Current Services	96.4	107.3	116.8	132.6	148.4
Bush Budget			111.6	125.1	138.9
Proposed Savings:			-5.2	-7.5	-9.5

---

[1] Outlays equals spending for Parts A and B; beneficiary premiums have not been deducted.

[2] Total proposed savings equals savings from proposals directed at Part A, Part B and some proposals affecting both Parts A and B.

ANALYSIS - MEDICARE BUDGET

The Bush budget proposal for Medicare calls for reduced outlays and increased premiums, by a total of $5.4 billion ($5.158 billion according to CBO; numbers in parenthesis are CBO). The cuts are aimed primarily at providers, with $3.4 billion ($3.035 billion) directed at hospitals, and $2.160 billion ($2.108 billion) in payment reductions and premium changes under Part B. The President has also proposed to mandate those state and local employees not participating in Medicare to do so, which the Administration estimates will generate revenue of $1.87 billion in FY 1991.

Savings Proposals: Of the proposed $5.4 billion in program savings, $3.4 billion, or 61 percent are cuts in Part A and $2.16 billion 39 percent are in Part B. Over 95 percent of the savings in Part A stem from legislative proposals that would reduce reimbursement of capital expenses; reduce the indirect medical education (IME) allowance; and reduce the payment update to hospitals under the prospective payment system (PPS). Part B savings are achieved largely (80 percent) by freezing payments to non-primary care physicians; reducing payments for overvalued services and localities; and reducing hospital outpatient department payments, as well as capital costs for these departments. The proposed changes are similar to those in the FY 1990 budget.

Spending Proposals: The budget calls for spending $180 million ($190 million) in FY 1991 to increase the capitation rate paid to HMOs for Medicare beneficiaries from 95 percent to 100 percent of the adjusted average per capita cost (AAPCC).

Revenue Proposals: Similar to the prior two years, the President's budget proposes to extend the Hospital Insurance (HI) tax to all state and local employees. This would generate an estimated $1.87 billion in revenues during FY 1991. In addition, the Administration proposes to establish a permanent floor in the Supplementary Medical Insurance (SMI) premium at the level needed to finance 25 percent of the Part B program, estimated by both OMB and CBO to be budget neutral in FY 1991.

I. PROPOSED REDUCTIONS FOR PARTS A AND B

A PPS Updates.
Savings in FY 1991 -- OMB: $640 million
CBO: $590 million

Set PPS update at market basket inflation rate minus 1.5 percent for all hospitals. This would result in a 4.1 percent increase in hospital payment rates for all hospitals. No differential is provided for the four categories of hospitals recognized under current law (PPS exempt, large urban, urban and rural).

A Capital Costs.
Savings in FY 1991 -- OMB: $1.53 billion
CBO: $1.32 billion

Maintain the 85 percent reimbursement rate for capital costs for rural hospitals and reduce the capital cost reimbursement rate for urban hospitals to 75 percent. Under current law, reimbursement of hospital capital expenditures is scheduled at 85 percent from January 1, 1990 through September 30, 1990; after FY 1990, capital cost returns to 100percent. (NB: Beginning in FY 1992, capital payments will be folded into the prospective payment rates.)

A Indirect Medical Education (IME).
Savings in FY 1991 -- OMB: $1.03 billion
CBO: $1.05 billion

Reduce IME allowance from 7.7 percent to 4.05 percent. The Prospective Payment Assessment Commission (ProPAC) recently recommended an IME factor of 6.8 percent (compared with 5.09 percent recommended previously by the General Accounting Office). The study on which ProPAC recommendation was based found that under current payment structures the IME factor could be as low as 3.2 percent, but for many reasons it would not be appropriate to set the factor at such a low level.

A SNF Return on Equity.
Savings in FY 1991 -- OMB: $70 million
CBO: $35 million

Eliminate the return on equity (ROE) as part of the formula for reimbursing proprietary skilled nursing facilities (SNFs). SNFs are the only category of provider for which Medicare currently pays ROE.

A/B Graduate Medical Education.
Savings in FY 1991 -- OMB: $215 million
CBO: $200 million

Establish a per resident payment derived from the national average of FY 1987 salaries paid to residents updated by the CPI. Primary care residents would be weighted at 180 percent of the per resident amount; non-primary care residents in their initial residency period would be weighted at 140 percent; and non-primary care residents beyond their initial residency period would be weighted at 100 percent. (NB:

Payment for the direct costs of medical education for nurses and allied health professionals would not be affected by this proposal.) Cap the intern to bed ratio at FY 1989 ratio.

B **Physician Payment Updates.**
Savings in FY 1991 -- OMB: $450 million
CBO: $335 million
Grant full Medicare Economic Index (MEI) update only for primary care physicians. Freeze customary and prevailing charge updates for non-primary care services. No distinction is made in MEI levels for participating vs. non-participating physicians.

B **Overpriced Procedures.**
Savings in FY 1991 -- OMB: $110 million
CBO: $120 million
Reduce payments for selected overvalued procedures. OBRA 1989 reduced payments for these procedures by one-third of the amount by which they were determined to be overvalued, up to a maximum reduction of 15 percent. This proposal reduces payments for these procedures by two-thirds of the remaining amounts, up to a maximum reduction of 25 percent.

B **Overpriced Localities.**
Savings IN FY 1991 -- OMB: $50 million
CBO: $50 million
Reduce payments for certain procedures in localities where payments are overvalued relative to the national average, once that average is adjusted to account for any differences in practice costs among areas, up to a maximum reduction of 25 percent. The procedures covered would exclude those covered by other Administration proposals, low-volume procedures, or procedures for which the payment is expected to increase under a resource-based fee schedule.

B **Radiology and Anesthesia Fees.**
Savings in FY 1991 -- OMB: $230 million
CBO: $215 million
Reduce radiology and anesthesia fees by the amount that current fees exceed an estimated resource-based fee schedule. In addition, pay the same amount for anesthesia services, regardless of whether an anesthesiologist personally performs the service or medically directs a certified registered nurse anesthetist (CRNA). Medicare would pay the anesthesiologist the difference between its payment to the CRNA and what it would have paid had the anesthesiologist actually performed the service.

B **Surgical Assistants and Surgical Global Fees.**
Savings in FY 1991 -- OMB: $170 million
CBO: $175 million
Pay the same amount for a surgery regardless of whether or not the primary surgeon elects to use a surgical assistant. The Medicare payment to the primary surgeon would be reduced by the amount of the payment to the assistant surgeon.

Reduce the global fees paid for surgical procedures, which include in-hospital visits by the surgeon and post-discharge visits as well as the surgery, to reflect the reduction experienced in the length of stay by Medicare beneficiaries over the past few years.

B **New Physician Payments.**
Savings in FY 1991 -- OMB: $50 million
CBO: $55 million

Continue to phase-in Medicare payment increases for new physicians. OBRA 1987 set limited fees for new physicians to 80 percent of the prevailing charge for all but primary care services and services in rural manpower shortage areas. OBRA 1989 continued, for one year, to phase in increases for new physicians by limiting payments to second year physicians to 85 percent of the prevailing charge. Under this proposal, payments to third, fourth and fifth year physicians would be, respectively, 90 percent, 95 percent and 100 percent of the prevailing charge in FY 1991, and of the fee schedule amount in FY 1992 forward.

B **Physician Assistant Offset.**
Savings in FY 1991 -- OMB: $5 million
CBO: $5 million

Eliminate duplicate payments for physician assistant (PA) services furnished in hospitals.

B **Hospital Outpatient Payments.**
Savings in FY 1991 -- OMB: $670 million
CBO: $755 million

Reduce Medicare payments for certain hospital outpatient procedures 10 percent across the board. In addition, capital payments for hospital outpatient departments would be paid at 85 percent of costs for rural hospitals and 75 percent of costs for urban hospitals.

B **Durable Medical Equipment (DME).**
Savings in FY 1991 -- OMB: $320 million
CBO: $320 million

Limit payment for DME to the median of the fee schedule amount for each item, and provide a fee update only for those items below the limit in FY 1991. Modify payment for DME rental items from average submitted charges to average reasonable charges. Limit total monthly rental payments for DME rental items to 120 percent of the recognized purchase price (as opposed to 150 percent under current law). Reduce payments for oxygen by 5 percent. Set fee schedules for enteral products and supplies. Through regulations (rather than legislation), eliminate coverage for seat lift chairs and eyeglasses after the insertion of an intraocular lens.

B **Clinical Lab Services.**
Savings in FY 1991 -- OMB: $60 million
CBO: $85 million

Reduce Medicare payments for clinical lab services to 90 percent of the median fee schedule amount for non-profile tests and 80 percent of the median fee schedule amount for profile and standardized test packages. Currently, Medicare pays 93 percent of the median fee schedule amounts for all clinical lab tests.

B Diagnostic and Radiology Tests.
Savings in FY 1991 -- OMB: $60 million
CBO: $20 million
Apply a cap of 100 percent of the national median of the technical component fees of radiology services and diagnostic tests.

B Prior Authorization.
Savings in FY 1991 -- OMB: $64 million
CBO: $20 million
Extend to Part B carriers the authority to require prior authorization for medical services and/or equipment. Carriers currently have utilization review authority for these services, but do not have the authority to require prior authorization.

B End Stage Renal Disease.
Savings in FY 1991 -- OMB: $30 million
CBO: $45 million
For beneficiaries that have employer-sponsored health insurance, Medicare would remain the secondary payor for 18 months, rather than the current 12 months.

II. SPENDING PROPOSALS

HMO Capitation Rates.
Cost in FY 1991 -- OMB: $180 million
CBO: $190 million
Increase Medicare's capitation payments to the HMOs with which it contracts from 95 percent to 100 percent of the adjusted average per capita cost (AAPCC).

III. REVENUE PROPOSALS

A/B State and Local Employees.
Revenue in FY 1991 -- OMB: $1.87 billion in FY 1991
CBO: NOT AVAILABLE
Add all state and local government employees hired before April 1, 1986 to the Medicare program. COBRA mandated Medicare coverage and payment of HI taxes for all new State and local government employees hired after March 31, 1986. This proposal would cover all remaining state and local government employees.

B Part B Premium.
Revenue in FY 1991 -- OMB: $0
CBO: $2 million
Make permanent the 25 percent beneficiary share of Part B program costs rather than reverting to indexing the annual premium increases to the cost of living adjustment (COLA) under current law.

MEDICAID
(in billions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Outlays:					
OMB					
Current Services	34.6	40.2	44.65	48.75	54.35
Bush Budget	34.6	40.2	44.9	49.7	54.6
Proposed Change			+.25	+.95	+.25
CBO					
Current Services	34.6	39.5	45.1	50.8	56.8
Bush Budget		39.5	45.0	50.7	56.7
Proposed Change			-.10	-.10	-.10

The Bush budget proposes to create a financial incentive for states to enroll their Medicaid beneficiaries in managed care programs, such as health maintenance organizations (HMOs) and preferred provider organizations (PPOs). Specifically, the Administration proposes to provide an enhanced federal match of 3 percent in FY 1991 for those Medicaid expenditures associated with new enrollees in a managed care program, at an estimated cost of $25 million.

The 3 percent "bonus" would continue in the out years. In FY 1993, states would be eligible for the enhanced match for all Medicaid beneficiaries enrolled in a managed care program, not just new enrollees. Also in FY 1993, a penalty for not enrolling beneficiaries in managed care programs would begin to be phased in. In FY 1993 states would have their federal match decreased by 1 percent for all expenditures for beneficiaries not enrolled in a managed care program. The penalty would be set at 2 percent in FY 1994 and 3 percent in FY 1995 and years beyond.

On the incentive side, "managed care" is defined as a comprehensive program where the plan is at risk for all of the beneficiaries' care, such as an HMO. On the penalty side, however, the Administration proposes to use a more liberal definition of "managed care program", that would include preferred provider types of arrangements. Rural areas would be exempt from this proposal.

To place managed care on an equal footing with fee-for-service medicine as an option under Medicaid, the Administration proposes to eliminate the need for states to obtain a waiver for implementing managed care programs and to relax the enrollment requirements for certain Medicaid HMOs.

According to CBO, a proposed change to the Medicare program which would affect Medicaid expenditures is the President's proposal to set a floor on Part B premiums. Since Medicaid programs pay the Part B premiums for low-income elderly and disabled Medicare beneficiaries, this proposal would save the Medicaid program $40 million in FY 1991. OMB does not take this into account in its computation of the FY 1991 Medicaid budget. Finally, the Administration proposes to begin to charge Medicare and Medicaid-certified nursing homes a fee for the costs of survey and certification. Neither OMB nor CBO have yet addressed this proposal in great detail regarding its costs to facilities or revenues generated as a result.

VETERANS HEALTH SERVICE AND RESEARCH ADMINISTRATION
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority:					
Current Services	n/a	11,610	12,160	12,696	13,218
Bush Budget		11,610	12,579	13,143	13,676
Proposed Change:			+ 419	+ 447	+ 458

The 1991 budget assumes an increase of 25,000 inpatient admissions and 750,000 outpatient visits over 1990 levels. The costs of acute care at the 172 VA hospitals are expected to increase by $530.6 million, and the cost of nursing care beds by $73.3 million.

Proposed legislation would allocate $54 million for changes in dental coverage, child care centers, revised nurses', physicians', and dentists' fee schedules. Budget authority for medical and prothesis research would be reduced by $14 million from 1990 spending

NATIONAL INSTITUTES OF HEALTH
(in billions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority:					
Total NIH:					
OMB					
Current Services	7.14	7.58	7.90	8.22	8.52
Bush Budget		7.58	7.93	8.00	8.16
Proposed Change:			+.03	-.22	-.36
CBO					
Current Services		7.58	7.90	8.23	8.55
Bush Budget		7.58	7.93	8.00	8.16
Proposed Change:			+.03	-.23	-.39

Budget Authority by Institute (in millions)[1]:

Aging	239	249
Cancer	1,634	1,694
Heart, Lung, and Blood	1,072	1,113
Dental Research	136	141
Diabetes, Diges, Kidney	581	605
Neurological Dis. & Stroke	490	512
Allergy & Inf. Dis.	833	887
General Medical Science	682	745
Child Health & Human Devel.	443	461
Eye Institute	237	247
Environmental Health	229	236
Arthritis, Musculoskel & Skin	169	176
Research Resources	354	319
Nursing Research	34	35
Deafness & Communication Dis.	118	123

---

[1] CBO's budget authority numbers for the individual institutes vary only slightly, if at all, from OMB's numbers, and are therefore not included in this chart.

The Bush budget would increase the total National Institutes of Health (NIH) budget request by $354 million (4.7 percent) above the 1990 level. The $7.93 billion total budget would be allocated for:

- Basic Research Project grants ($4.43 billion), emphasizing:
  - Mapping the Human Genome ($108 million in 1991 compared to $48 million in 1990)
  - AIDS ($800 million in 1991 compared to $743 million in 1990).
- Research Centers, Training, and Management ($2.81 billion).
- Buildings and Facilities, for delayed renovations and repairs ($89 million).
- Cancer Control, Library of Medicine, and other programs ($523 million).
- Office of the Director ($83 million).

NATIONAL INSTITUTE OF AGING
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority					
OMB					
Current Services	214	239	250	260	270
Bush Budget		239	249	254	258
Proposed Change:			-1	-6	-11
CBO					
Current Services		239	250	260	270
Bush Budget		239	249	254	259
Proposed Change:			-1	-6	-11

The 1991 National Institute of Aging budget includes a modest $9.4 million increase over 1990. These monies are sufficient to fund only a reduced number of new grants (194 new grants in 1989, 156 in 1990, and 153 in 1991). Approximately 30 percent of Institute grants are for Alzheimer's Disease research, and an increasing fraction will be allocated to the Institute's new Initiative in Frailty.

HEALTH RESOURCES AND SERVICES ADMINISTRATION
(in millions)

	Actual	Estimated			
	1989	FY90	FY91	FY92	FY93
Budget Authority					
OMB					
Current Services	1,649	1,792	1,840	1,915	1,993
Bush Budget	1,649	1,792	1,588	1,612	1,648
Proposed Change:			-252	-303	-345
CBO					
Current Services		1,789	1,838	1,914	1,993
Bush Budget		1,789	1,587	1,611	1,646
Proposed Change:			-251	-303	-347

Proposed program changes in the Bush budget result in a significant decrease in funds for categorical or "across the board" loans or grants for health care students. However, minority programs have been expanded as part of the President's "Minority Health Initiative."

The request for the Maternal and Child Health Care Block Grant Program is maintained at $554 million, the largest single HRSA expenditure. $4 million is requested for the Office of Rural Health, compared to $3 million in 1990.

SOCIAL SECURITY
(in billions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Outlays:					
OMB					
Current Services	232.5	248.5	265.5	281.8	298.6
Bush Budget			264.8	280.9	297.7
Proposed Change:			- .7	-.9	-.9
CBO					
Current Services	*	248.8	265.8	282.7	300.4
Bush Budget	*	*	*	282.1	300.1
Proposed Change			--	-.6	-.3

Social Security pays Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) benefits to 39 million beneficiaries. At the end of 1989, the average retiree received $566 per month. Social Security beneficiaries received a 4.7 percent COLA in January, 1990. The Bush budget assumes full COLAs for 1991, estimated at 3.9 percent.

The Bush budget proposes no major changes in Social Security benefits or program administration. One minor benefit proposal is to provide benefits to children adopted by surviving spouses of certain deceased workers. Following a 21 percent reduction over the last six years, Bush proposes no further staffing cuts at SSA in 1991. The budget also proposes to withhold income tax refunds from former beneficiaries who have repeatedly been uncooperative in repaying Social Security overpayments.

On the revenue side, the Bush budget proposes to raise $2.3 billion in 1991 by mandating Social Security coverage for all state and local workers who are not covered under a different pension system and for employees of the District of Columbia who are hired as of Jan. 1, 1991. The proposal would increase revenues to Social Security Trust Funds (SSTF), thereby offsetting a greater share of the budget deficit in general revenues (and helping to meet the G-R-H deficit reduction target in FY 91), but also increasing future benefit payments.

The Administration would retain the SSTF in the budget deficit calculation. Beginning in 1993, the President proposes to use the SSTF surplus to pay off the national debt, by establishing the "Social Security Integrity and Debt Reduction Fund" (SSIDRF). After a 3-year phase-in period, Treasury would transfer an amount of funds equal to the surplus in 1996 and each year thereafter to pay off the national debt.

SUPPLEMENTAL SECURITY INCOME
(in millions)

	Actual	Estimated			
	FY 89	FY90	FY91	FY92	FY93
Outlays:					
OMB					
Current Services	12,555	12,494*	14,456	15,244	16,025
Bush Budget		14,401**	15,134		15,860
Proposed Change:			- 55	- 110	- 165
CBO					
Current Services	12,449		14,447	15,456	16,535
Bush Budget			14,632	15,512	16,530
	0		185	56	-5

Over 4.6 million needy aged, blind, or disabled persons currently receive SSI benefits. In 1990, the Federal payment standard is $386 per month for individuals and $579 per month for couples. The Bush budget assumes that benefits will be automatically increased in January 1991 by the same percentage as Social Security benefits -- 3.9 percent.

The Bush budget does not propose any changes in the federal SSI benefits payment. However, a savings of $55 million in FY91, which increases to $164 million by FY 93, is assumed by charging States a proposed fee for the administration of their SSI supplemental program. (18 States would be charged varying amounts, depending on the size of their benefit population.) The fee would be phased in over a 3-year period, using a formula based on 1.67 percent of the State's supplement in FY91 and increased to 5 percent of this amount by FY93.

---

* The decrease in FY 90 outlays stems from the fact that there are only 11 payment periods in that year.

** Due to a change in the manner in which SSI overpayments are accounted for in FY91, there is a $255 million "paper" increase in the FY91 outlays for the SSI program.

RAILROAD RETIREMENT
(in millions)

	Actual	Estimated			
	FY89	FY90	FY 91	FY92	FY93
Outlays:					
OMB					
Current Services	4,193	4,415	4,695	4,817	4,927
President's Budget		4,415	4,600	4,764	4,823
Proposed Change:		0	-95	-53	-104
CBO					
Current Services	"	4,274	4,435	4,631	4,772
Bush Budget	"	"	4,372	4,602	4,699
Proposed Change:		0	-63	-29	-73

Railroad Retirement provides Social Security and rail pension benefits to 890 thousand retired and disabled railworkers and their surviving dependents. The Bush budget proposes three major changes in the Railroad Retirement program for FY91, all of which repeat failed proposals made by President Reagan for FY90.

Privatization: The Bush proposal again calls for privatizing the Railroad Retirement system, by transferring Tier I (Social Security equivalent) benefits to Social Security and the remaining benefits (Tier II, supplemental pensions, and vested dual benefits) to the rail industry. The new private-sector pension would be protected under ERISA, and thus would have to be fully funded. Rail unemployment insurance would be merged with Federal/State Unemployment Insurance Program.

Windfall Benefits: Bush repeats a Reagan proposal to finance 25 percent of federal windfall benefits for railroad retirees through the rail pension trust fund rather than through direct appropriations. Estimated FY 91 savings of $80 million.

Tier II COLA changes: Bush repeats a Reagan proposal to eliminate the Tier II COLA for FY91, and changing the Tier II COLA thereafter to conform to other non-Social Security retirement benefits. Under the proposal, Tier II COLAs would be calculated by multiplying the current law rail pension COLA factor of 32.5 percent by the reduced Federal civilian retirement COLA (CPI minus 1 percent).

FEDERAL CIVILIAN RETIREMENT
(in millions)

	Actual	Estimated			
	FY 89	FY90	FY91	FY92	FY93
Outlays:					
OMB					
Current Services	29,522	31,809	34,605	35,938	38,047
Bush Budget		31,809	32,423	32,745	34,493
Proposed Change:		0	-2,182	-3,193	-3,554
CBO					
Current Services		31,262	33,996	35,251	37,334
Bush Budget		"	31,905	32,036	33,757
Proposed Change			-2,091	-3,215	-3,577

Federal civilian retirement benefits are paid to 2.2 million retirees and survivors. Like the former Administration, the Bush budget proposes a one-year freeze in the cost-of-living allowance (COLA) for civil services retirees in FY91 and a reduced COLA equal to one percent below inflation (CPI-1) in FY92 through FY95. Furthermore, civil service retirees would no longer be able to remove their contributions as a lump sum as of January 1, 1991.

MILITARY RETIREMENT
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Outlays:					
OMB					
Current Services	20,184	21,451	22,766	24,158	25,533
Bush Budget	"	21,451	22,093	23,109	24,188
Proposed Change:	--		- 673	-1,049	-1,345
CBO					
Current Services	"	21,610	22,976	24,365	25,850
Bush Budget	"	"	22,335	23,298	24,481
Proposed Change:	--	0	- 641	-1,067	-1,369

Military retirement benefits are paid to 1.6 million military retirees and their survivors. Like the former Administration, the Bush budget proposes a substantial reform of cost-of-living adjustments for such benefits, consistent with those for civil service retirees. This includes the elimination of the January 1991 COLA for all military retirees (estimated savings of $673 million) and permanent reduction in the COLA to CPI minus 1 percent for all current and future military retirees beginning in FY92.

VETERANS PENSIONS
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Outlays:					
OMB					
Current Services	4,024	3,534*	3,768	3,751	3,967
Bush Budget	-	3,534*	3,721	3,616	3,774
Proposed Change:		0	-47	-135	-193
CBO					
Current Services	-	3,553*	3,877	3,898	3,916
Bush Budget	-	-	3,847	3,729	3,678
Proposed Change		0	-30	-169	-238

Veterans pensions are paid to low-income war-time service-connected veterans above age 65. While the total number of veterans age 65 and over has continued to increase since 1980 and is expected to increase by another 6 percent this year, the number of pension recipients is expected to continue to decline slightly (1.23 million in 1988 to 1.16 in 1990) because veterans over 65 increasingly have higher incomes. The Bush budget assumes an automatic COLA of 3.9 percent in January 1991.

The Administration proposes to grant the Department of Veterans Affairs access to Internal Revenue Service records for the purpose of verifying the income of pension beneficiaries. An estimated $61 million is calculated in budget savings in FY91.

Legislation is included to increase from three months to twelve months the period before which the pension of certain institutionalized veterans (i.e., those in domiciliaries and nursing homes) is reduced to $90 per month. A projected cost of $13.5 million is expected to result in FY91.

---

* The decrease in FY 90 outlays stems from the fact that there are only 11 payment periods in that fiscal year.

VETERANS COMPENSATION
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Outlays:					
OMB					
Current Services	11,650	10,614*	11,625	11,842	13,360
Bush Budget	"	10,614*	11,468	11,667	13,180
Proposed Change:		0	-157	-175	-180
CBO					
Current Services	"	10,708*	11,934	12,371	12,835
Bush Budget	"	"	11,796	12,216	12,674
Proposed Change		0	-138	-55	-161

Veterans with disabilities resulting from military service receive monthly compensation payments scaled to the degree of disability. The payment is made regardless of the veteran's age or income. Survivors of veterans who die from service-connected injuries also receive payments in the form of death and indemnity compensation. The numbers of veterans and survivors of deceased veterans receiving compensation benefits is expected to decline slightly from 2.2 million in 1990 to 2.1 million in 1991.

As did his predecessor, President Bush is proposing legislation to provide for an automatic COLA instead of the current policy of annually legislating COLAs for veteran's compensation. The budget assumes a January 1991 COLA of 3.9 percent.

In addition, legislation is proposed to place a ceiling on the estates of veterans who are judged to be incompetent and who have no dependents. The purpose of this proposal is to assure that remote heirs of such veterans do not inherit large sums of veterans' benefits. A FY91 savings of $171 million is projected.

---

* The decrease in FY 90 outalys stems from the fact that there are only 11 payment periods in that fiscal year.

VETERANS BURIAL BENEFITS
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority					
OMB					
Current Services	137	156	160	164	168
Bush Budget	"	156	160	164	168
Proposed Change	--	0	0	0	0
CBO					
Current Services	"	140	140	140	140
Bush Budget	"	"	"	"	"
Proposed Change	--	0	0	0	0

The President's FY 91 budget submission does not propose any changes to this program.

PENSION BENEFITS
(in millions)

Pension Benefit Guaranty Corporation:

		Estimated		
	FY90	FY91	FY92	FY93
Outlays				
OMB				
Current Services:	708	464	466	466
Bush Budget:	"	466	467	468
Proposed Change:	--	2	1	2
CBO				
Current Services:	262	264	254	240
Bush Budget:	"	"	"	" >
Proposed Change:	--	0	0	0

The Pension Benefit Guaranty Corporation (PBGC) provides Federal insurance to protect the pension benefits of workers covered by employer-sponsored defined benefit plans. The Administration does not propose additional increases in premiums or staffing this year.

The program is funded through premiums charged to single-employer and multi-employer plan sponsors. Recent changes in premium rates have improved the PBGC's financial position. The agency has a positive cash flow that should continue into the next century, barring any unforeseen event. As of September 1989, the long-term deficit of the single-employer program was $1.1 billion. (The deficit represents the difference between existing assets and the present value of all the expenses and benefits that will be due under the plans PBGC has taken over.) However, the $1.1 billion figure calculated by the Bush budget excludes over $2 billion in liabilities at issue in the LTV case pending before the Supreme Court. In contrast, CBO's budget estimates includes these liabilities.

Pension and Welfare Benefits Administration:

		Estimated		
	FY90	FY91	FY92	FY93
Budget Authority				
Current Services:	74	77	81	84
Bush Budget:	74	90	93	96
Proposed Change:	--	13	12	12

The Administration proposes to increase funding and add 100 FTE to the Department of Labor's Pension and Welfare Benefits Administration (PWBA). The PWBA enforces ERISA standards for 870,000 pension plans and over 4 million health and welfare benefit plans. PWBA, which employs fewer than 300 individuals in its ERISA enforcement division, investigates less than 1 percent of all pension plans.

OLDER AMERICANS ACT
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority					
OMB					
Current Services	748	748	779	804	833
Bush Budget		748	748	n/a	n/a
Proposed change:		0	-31		
CBO					
Current Services	"	"			
Bush Budget		"			
Proposed Change		0			

BY TITLE

	Actual	Estimated	
Title III (total)	FY89	FY 90	FY 91
OMB			
Current services	717	710	739
Bush Budget	"	710	710
Proposed change:		0	-29
CBO			
Current Services	717	710	739
Bush Budget	"	"	710
Proposed Change		0	-29

BY PROGRAM (Title III)

	Actual	Estimated	
	FY89	FY 90	FY 91
Senior Centers:			
OMB			
Current Services	277	273	284
Bush Budget	"	273	273
Proposed Change		0	-11
CBO			
Current Services	277	273	284
Bush Budget	"	"	273
Proposed Change	--	0	-11
Congregate Meals:			
OMB			
Current Services	357	352	366
Bush Budget	"	"	352
Proposed Change		0	-14
CBO			
Current Services	357	352	366
Bush Budget	"	"	352
Proposed Change		0	-14
Home Meals:			
OMB			
Current Services	79	79	82
Bush Budget	"	"	79
Proposed Change		0	-3
CBO			
Current Services	79	79	82
Bush Budget	"	"	82
Proposed Change		0	-3
Frail Elderly			
OMB			
Current Services	5	6	6
Bush Budget	"	"	6
Proposed Change			<.5
CBO			
Current Services	5	6	6
Bush Budget	"	"	6
Proposed Change			<.5

Title IV (Training)*

OMB			
Current Services	22	25	26
Bush Budget	"	"	26
Proposed Change		0	0
CBO			
Current Services	22	25	26
Bush Budget	"		26
Proposed Change		0	0

Title V (Under Senior Community Service Employment Program)

Title VI (Native Americans)

OMB			
Current Services	9	13	14
Bush Budget	"	"	13
Proposed Change		0	-1
CBO			
Current Services	9	13	13
Bush Budget	"	"	13
Proposed Change		0	0

Older Americans Act (OAA) programs provide nutrition, transportation, legal, in-home and community-based services to persons 60 years of age and older. The President's budget proposes a reduction in current services of 3.9 percent overall, and of 4 percent from Title III community-based services programs. The 1991 White House Conference on Aging is proposed to receive $1 million under Title IV funding.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM
Title V
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority					
OMB					
Current Services	344	357	372	387	401
Bush Budget			343	343	343
Proposed Change:			-29	-44	-58
CBO					
Current Serivces	344	357	372	384	412
Bush Budget	"	"	343	343	343
Proposed Change		0	-29	-41	-69

The Senior Community Service Program (SCSP) provides part-time public service employment for low-income workers age 55 and older. SCSP workers are individuals who cannot find work in the private sector because of limited work skills or other liabilities. SCSP is funded through Title V of the Older Americans Act and administered by the Department of Labor. The Bush budget proposes a reduction in 1991, and a freeze at that level in FY92 and FY93.

COMMUNITY SERVICE BLOCK GRANTS
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority					
OMB					
Current Services	381	389	405	421	437
Bush Budget	"	"	.042	.042	.042
Proposed Change:			-363	-379	-415
CBO					
Current Services	"	389	412	429	466
Bush Budget	"	"	.042	.042	.042
Proposed Change:		0	-411	-428	-465

Community Services Block Grants (CSBG) provide for health, nutrition, and employment community services for the poor, elderly, and infirm. Like the previous Administration, President Bush proposes to eliminate the CSBG program, except for homeless service programs.

While the Bush budget anticipates that the Social Services Block Grant (SSBG) will fund these services, it does not provide new monies in SSBG for these additional responsibilities. In response to cuts, local and community government will have to increase their assistance or eliminate services.

SOCIAL SERVICES BLOCK GRANT
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority					
OMB					
Current Services	2,700	2,762	2,875	2,970	3,076
Bush Budget	"	"	2,800	2,800	2,800
Proposed Change:			-75	- 170	- 276
CBO					
Current Services	2,700	2,762	2,988	3,086	3,187
Bush Budget	"	"	2,800	2,800	2,800
Proposed Change:			- 188	- 286	- 387

Social Services Block Grants provide States with funds for services to low-income children, families and older persons. The Bush budget proposes to increase funding to the maximum allowed by law. The proposed increase in funding falls short of the amount needed to keep the program at its current services level, let alone make up for the elimination of the CSBG program.

ACTION OLDER VOLUNTEER PROGRAMS
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority					
OMB					
Current Services	114	118	123	127	132
Bush Budget			121	n/a	n/a
Proposed Change:			- 2	n/a	n/a
CBO					
Current Services	"	"	123	128	132
Bush Budget	"	"	121	n/a	n/a
Proposed Change:		0	-2	"	"

The ACTION agency operates programs to stimulate and support volunteer services provided by older persons and others, including Foster Grandparents, Retired Senior Volunteer Program (RSVP), and Senior Companions. The President's budget would fund these programs at $62 million (Foster Grandparents), $27 million (Senior Companions), and $32 million (Retired Senior Volunteer Program), respectively. A small FY 91 increase is proposed to increase the stipend for Foster Grandparents from $2.15 to $2.35 per hour; the number of total service hours will remain constant.

SECTION 202 HOUSING PROGRAM
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority:					
OMB					
Current Services	394	413	419	395	395
Bush Budget	394	413	228	206	209
Proposed Change:			-191	-189	-186
CBO					
Current Services		412	430	446	462
Bush budget		412	220	196	205
Proposed Change:			-210	-250	-257

Section 202 provides funding for the construction of housing units for the elderly and handicapped. Since 1981, budget authority for this program has decreased 81 percent, from about $1.2 billion to the FY91 request of $228 million (numbers are adjusted for inflation). The Bush budget would reduce the number of new section 202 elderly and handicapped housing units from 8,368 units in FY90 to 3,967 units in FY91, a reduction of 53 percent. Of this amount, 3,097 units would be for the elderly, and the remaining 870 for the non-elderly handicapped. The Bush budget for HUD proposes to reprogram $55 million of the FY90 funding for the new construction of 202 units to accelerate the production of units that are "stalled" in the pipeline. Although this reprogramming would result in a 679-unit reduction in the number of new reservations possible in 1990, it would speed up the production of units in the pipeline.

The Bush budget also proposes to fund 3,000 units of leased housing for the elderly and handicapped. This approach would permit non-profit groups to lease existing housing, which the Administration says "provides greater flexibility than new construction at less cost." There would be 1,700 units for the elderly funded under Section 8 and 1,300 units for the handicapped funded under Section 162. Included within the units for the handicapped are 1,000 units to be designated for the chronically mentally ill homeless, as a component of the Homeownership and Opportunity for People Everywhere (HOPE) initiative. The leased existing unit would require Annual Contributions rental subsidy assistance but not direct loan authority under the Section 202 loan fund.

CONGREGATE HOUSING SERVICES PROGRAM
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Budget Authority:					
OMB					
Current Services	5.4	5.8	6.0	6.3	6.6
Bush Budget	5.4	5.8	0	0	0
Proposed change:			-6.0	-6.3	-6.6
CBO					
Current Services		5.8	6.0	6.3	6.6
Bush Budget		5.8	0	0	0
Proposed change:			-6.0	-6.3	-6.6

Under the Congregate Housing Services Program (CHSP), HUD contracts with local public housing and section 202 sponsors to supply meals and other supportive services to residents. The Bush budget proposes to eliminate CHSP by FY91 -- a proposal the Congress consistently opposed during the Reagan Administration.

However, as part of the Bush Administration's new program, Homeownership and Opportunity for People Everywhere (HOPE), HUD is requesting $44 million in FY91 for a "Service Supported Housing Voucher Demonstration Program for the Frail Elderly." Of the $44 million, $10 million would be for service payments, linked with $34 million for housing assistance vouchers for 1,500 frail elderly households over five years. The service payments would cover 45 percent of the cost of service provision. Local housing authorities would be required to secure 50 percent of the cost of services from the states, and eligible elderly persons would be required to pay 10 percent of the service cost. According to the budget document, these copayments are designed to discourage the use of unnecessary services.

LOW-INCOME HOME ENERGY ASSISTANCE
(in millions)

	Actual FY89	Estimated FY90	FY91	FY92	FY93
Outlays:					
OMB					
Current Services	1,393	1,372	1,444	1,504	1,560
Bush Budget	1,393	1,372	1,079	1,053	1,050
Proposed Change:			-365	-451	-510
CBO					
Current Services		1,364	1,463	1,502	1,562
Bush Budget		1,364	1,100	1,050	1,050
Proposed Change:			-363	-452	-512

The Low-Income Home Energy Assistance Program (LIHEAP) provides grants to states, Indian tribes and territories to assist low-income elderly and non-elderly households in paying their home heating and cooling costs, energy-related crisis intervention aid and low cost weatherization. The Bush Administration proposes to cut the LIHEAP by 25 percent. This cut is the sixth consecutive year of cuts from LIHEAP's FY85 funding level of $2.1 billion.

The reduction means eliminating more of the 6 million low-income recipient households among the 18 million that are eligible, or reducing the already low benefit levels, or both. The budget cites the stabilization of energy prices and a consequent decrease in the proportion of income that low-income households pay for heat as the reason for the 25 percent cut.

TAX EXPENDITURES IN AGING-RELATED AREAS
(in millions)

The federal government allows individuals and corporations to deduct certain amounts from income for tax purposes. These tax deductions -- or, from the standpoint of the federal government, expenditures -- serve a number of important functions which benefit older Americans. Several tax expenditures of particular interest are detailed below. The President does not propose any changes to these categories of tax expenditures. (Outlay equivalents are used.)

INCOME SECURITY:

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Net exclusion of pension contributions and earnings:					
Employer Plans	56,985	60,095	62,660	n/a	n/a
IRAs	7,155	7,820	8,165	n/a	n/a
Keogh Plans	1,715	1,900	2,100	n/a	n/a

Certain employer contributions to pension plans, along with amounts set aside by self-employed and individual employee contributions to individual retirement accounts (IRAs), are excluded from adjusted gross income in the year of contribution. This tax deduction represents the single largest tax expenditure of the government. In 1987, there were an estimated 870,350 employer-sponsored pension plans with 76.6 million participants and over $1.6 trillion in assets. In addition, there are individually established tax-deferred IRA and Keogh plans.

	FY89	FY90	FY91	FY92	FY93
Exclusion of Social Security benefits:	18,885	19,935	20,970	n/a	n/a

Social Security and Tier I Railroad Retirement Benefits that exceed the beneficiary's contributions out of taxed income are deferred employee compensation; the deferral of tax on that compensation is a tax expenditure. In addition, benefit payments from the Social Security Trust Funds, for disability and for dependents and survivors, are excluded from beneficiary income.

	FY89	FY90	FY91	FY92	FY93
Veterans benefits and services:	1,570	1,575	1,665	n/a	n/a

All compensation due to death or disability and pensions paid by the VA are excluded from taxable income.

	Actual	Estimated (in millions)			
	FY89	FY90	FY91	FY92	FY93

COMMERCE AND HOUSING CREDIT:

Exclusion of capital gains on home sales for persons 55+:	4,195	4,250	4,280	n/a	n/a

A taxpayer who is 55 years and older at the time of the sale of his residence may elect to exclude from tax up to $125,000 of the gain from its sale. This is a once-in-a-lifetime election.

HEALTH:

Deductibility of medical expenses:	2,690	2,860	3,035	n/a	n/a

Personal expenditures for medical care, including the cost of prescription drugs and insulin, exceeding 7.5 percent of the taxpayer's adjusted gross income, are deductible.

Exclusion of untaxed Medicare benefits:	7,290	7,685	8,325	n/a	n/a

The employer's payment of 1.45 percent of employees' wages (up to $51,300 in 1990) into the HI Trust Fund, which finances Medicare benefits, is not included in employees' reportable compensation.

Excluding employer contributions for medical insurance premiums and medical care:	32,425	36,465	40,945	n/a	n/a

Employee compensation, in the form of employer payments for health insurance premiums / medical expenses, is deducted as an expense by employers, and is excluded from employee gross income.

SUPPORT FOR THE AGED:

Deduction for the elderly:	1,575	1,885	2,120	n/a	n/a

Taxpayers who are 65 years and older may take an additional $800 standard deduction, if single, or $650, if married.

NEW TAX PROPOSALS IN AGING-RELATED AREAS
(in millions)

	Actual	Estimated			
	FY89	FY90	FY91	FY92	FY93
Family Savings Account and Enhanced IRAs:					
Family Savings Acct.	--	-$200	**-$600**	-$100	n/a
Enhanced IRAs:	--	--	**-$100**	-$100	n/a

The Bush budget proposes to establish a Family Savings Account Plan (FSA) in order to stimulate savings and long-term investment. The FSA would expand the current limits on tax-favored savings without changing current contribution limits on 401(k) plans, IRAs, or Keoghs. The proposal would allow individuals who establish FSAs to exempt from income tax the interest income from non-deductible contributions to FSAs that are held for at least 7 years.

In addition, the Administration proposes to modify current IRA rules to allow a waiver of the 10 percent excise tax penalty on early withdrawals of up to $10,000, if the withdrawn funds are used for first-time home purchases (effective January 1, 1991). The amount withdrawn would be taxed at the individual's marginal tax rate. To be eligible for the waiver, the individual would have to be a first-time home buyer, and the home purchased could cost no more than 110 percent of the median home price in the area.

Retiree Health Proposal:					
Retiree health transfer proposal:	--	$200	**$400**	$200	n/a

The President proposes to allow for the limited use of excess pension assets from defined benefit pension plans to pay for current retiree health benefits. The amount of the funds transferred would be limited to ensure that adequate funds in the pension plan remain to finance pension benefits. Companies would have to take the transfer between December 31, 1989 and January 1, 1993. Similar proposals were offered during debate of OBRA'89 but not enacted.

Medical Cost Deduction for Self-Employed:					
Deduction for health costs:		$200	**$400**	$500	n/a

Bush proposes to permanently extend the 25 percent deduction of health insurance premiums and medical costs for self-employed persons. The current allowance of this deduction was scheduled to expire after December 31, 1989 but was extended for 9 months in OBRA'89.

DAVID PRYOR, ARKANSAS, CHAIRMAN
JOHN GLENN, OHIO
BILL BRADLEY, NEW JERSEY
QUENTIN N. BURDICK, NORTH DAKOTA
J. BENNETT JOHNSTON, LOUISIANA
JOHN B. BREAUX, LOUISIANA
RICHARD SHELBY, ALABAMA
HARRY REID, NEVADA
BOB GRAHAM, FLORIDA
HERBERT KOHL, WISCONSIN
JOHN HEINZ, PENNSYLVANIA
WILLIAM S. COHEN, MAINE
LARRY PRESSLER, SOUTH DAKOTA
CHARLES E. GRASSLEY, IOWA
PETE WILSON, CALIFORNIA
PETE V. DOMENICI, NEW MEXICO
ALAN K. SIMPSON, WYOMING
JOHN WARNER, VIRGINIA
NANCY LANDON KASSEBAUM, KANSAS
PORTIA PORTER MITTELMAN, STAFF DIRECTOR
CHRISTOPHER C. JENNINGS, DEPUTY STAFF DIRECTOR
JEFFREY R. LEWIS, MINORITY STAFF DIRECTOR

United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, DC 20510-6400

March 16, 1990

The Honorable Jim Sasser
Chairman
The Honorable Pete V. Domenici
Ranking Member
Committee on the Budget
Washington, D.C. 20510

Dear Jim and Pete:

One of the most frustrating parts of your jobs on the Budget Committee must be having to read letter after letter opposing proposed Administration budget cuts, or requesting larger funding allocations, while not offering any substantive budget savings proposals. I would like to take this opportunity to offer a proposal that I believe has potential to save tens to hundreds of millions of dollars a year in Federal and State Medicaid expenditures on prescription drugs.

As you know, one of the greatest challenges facing the States is finding the revenue necessary to keep pace with Medicaid expenditures. Increasing financial pressures, due to out-of-control health care costs and from Federally-mandated benefit expansions, have forced States to cut back on non-mandated Medicaid benefits and to implement significant cost-controlling efforts on health care providers and recipients.

Skyrocketing prescription drug prices, in particular, are having a very serious effect on State Medicaid programs. In 1989, I convened two hearings of the Special Committee on Aging to address the reasons for the rapidly rising costs of prescription drugs, and to examine current business practices employed by some of the nation's most prestigious hospitals and health maintenance organizations to secure reasonable drug prices for the U.S. market. I believe the following findings from my hearings offer a compelling argument as to why we need to act now on this matter:

* Between 1981 and 1988, while the Consumer Price Index increased 28 percent, prices for prescription drugs increased by 88 percent;

* By 1988, Medicaid paid $3.3 billion for prescription drugs, more than for physician payments, making it the third highest category of Medicaid spending;

* As costs of Medicaid prescription drug programs have increased at faster rates than almost any other State-covered service, the only cost-cutting success has been at the expense of those least responsible for cost increases--the recipients and the pharmacies;

- Based on the knowledge that many different drug products are often used to treat the same medical condition, hundreds of hospitals and HMOs have forced drug manufacturers to compete and offer reduced prices -- prices which are much lower than what Medicaid pays;
- Prescription drug manufacturers have waged an all-out campaign to undermine and frustrate State efforts to follow the private sector's example and negotiate lower prices for drugs; and
- Opposition from drug manufacturers has succeeded in blocking 13 out of 15 States' previous attempts to negotiate lower drug prices for their financially strapped Medicaid programs. The States currently negotiating with manufacturers have been successful only on an extremely limited basis.

To reduce Federal and State expenditures on Medicaid prescription drug programs, I plan on introducing legislation that will provide technical assistance and encouragement to States that enable them to successfully negotiate directly with prescription drug manufacturers for better prices. To accomplish this goal, my bill would provide a number of options to States, including the use of a bargaining tool (specifically a formulary or a "preferred drug list"). Preferred drug lists are currently being used throughout the private sector to negotiate better prices. I strongly believe that it is time the Federal Government emulated the private sector in this regard.

It is important to note, however, that my legislation would call on States to cover drugs not even on a "preferred drug list" if the patient's physician handwrites on the prescription "[drug name] medically necessary." I believe that a physician "override" feature not only represents sound medical practice but also should allay any concerns that some in the physician community might have about this legislation.

This legislation is attractive because it is simple and it does not violate any free-market approach to controlling drug costs. It follows the lead of the private sector and uses their business approaches to negotiate a more fair price for the Medicaid program. I firmly believe that this is one of those rare issues that has the potential to reduce costs and improve access to needed health care.

For your information, I am enclosing copies of letters I have sent to the Secretary of Health and Human Services and the Administrator of the Health Care Financing Administration. Also enclosed you will find their recent joint response. In it, Secretary Sullivan acknowledges that a proposal such as the one I advocate could "save millions of dollars."

The Honorable Jim Sasser
The Honorable Pete V. Domenici
March 16, 1990
Page 3

As you work toward the very difficult task of developing the Senate budget resolution for fiscal year 1991, it is my hope that you will consider the fact that the cost-savings proposal that I have outlined will provide a vehicle for the States to continue and even expand crucial Medicaid services. I appreciate the opportunity to provide you with this information and to work with you on the very difficult budgetary challenges we face.

If you have any questions or wish to discuss this further, please call me or have your staff contact Chris Jennings or William Benson of the Aging Committee staff at 224-5364. They will be providing your staffs with additional background material and legislative specifications.

Sincerely,

David Pryor
Chairman

DP: wfb
Enclosures

HOUSE OF REPRESENTATIVES

LEE H. HAMILTON, INDIANA,
CHAIRMAN
AUGUSTUS F. HAWKINS, CALIFORNIA
DAVID R. OBEY, WISCONSIN
JAMES H. SCHEUER, NEW YORK
FORTNEY PETE STARK, CALIFORNIA
STEPHEN J. SOLARZ, NEW YORK
CHALMERS P. WYLIE, OHIO
OLYMPIA J. SNOWE, MAINE
HAMILTON FISH, JR., NEW YORK
FREDERICK S. UPTON, MICHIGAN

JOSEPH J. MINARIK,
EXECUTIVE DIRECTOR

Congress of the United States
JOINT ECONOMIC COMMITTEE
CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS
Washington, DC 20510-6602

SENATE

PAUL S. SARBANES, MARYLAND,
VICE CHAIRMAN
LLOYD BENTSEN, TEXAS
EDWARD M. KENNEDY, MASSACHUSETTS
JEFF BINGAMAN, NEW MEXICO
ALBERT GORE, JR., TENNESSEE
RICHARD H. BRYAN, NEVADA
WILLIAM V. ROTH, JR., DELAWARE
STEVE SYMMS, IDAHO
PETE WILSON, CALIFORNIA
CONNIE MACK, FLORIDA

March 9, 1990

The Honorable Jim Sasser
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

We are writing as Chairman and Vice Chairman of the Joint Economic Committee to transmit the Committee's views and estimates on the current state of the economy and economic policy. These views reflect the findings and recommendations of the Committee's *Annual Report*, which will be released soon, as well as the expert testimony of witnesses who appeared before the Committee during its review of the 1990 *Economic Report of the President*.

The American economy continued to grow during 1989, although at a somewhat slower pace than during 1987 and 1988. Between the fourth quarter of 1988 and the fourth quarter of 1989, the output of the U.S. economy rose 3.0 percent, down from 5.4 percent during 1987 and 3.6 percent during 1988. The slowdown was particularly evident during the fourth quarter, when the economy grew at an annual rate of only 0.9 percent according to the preliminary GNP figures. Restrained consumer spending last year, particularly for automobiles and durable goods, was the principal factor, although the pace of investment spending also slowed as did the growth of exports.

Although 3.0 percent growth in 1989 was higher than most economists were predicting at the beginning of the year, it was below the 3.5 percent forecast used by the outgoing Reagan Administration and adopted by the Bush Administration to project the fiscal year 1990 budget. Partly as a result, the Administration's estimate of the Federal deficit for 1990 has been raised by $31 billion from a year ago, to a level of $124 billion, $24 billion higher than the Gramm-Rudman target (CBO's latest estimate is $27 billion above the target, even if outlays by the Resolution Trust Corporation are excluded). Almost one quarter of the Administration's upward revision of the deficit estimate to date had been attributed to revised economic assumptions by the time of the July *Midsession Review*; that economic re-estimate contributed to last Fall's sequester.

One direct economic consequence of the 1989 slowdown in output growth was a parallel slowdown in job growth. Payroll employment rose only 2.4 million during 1989, compared to 3.2 million during 1987 and 3.3 million during 1988; the unemployment rate was 5.3 percent throughout most of the year. Virtually all job growth during the year was in service-producing industries; the number of manufacturing jobs fell by 100,000, reflecting the slower growth of exports.

The economy exhibited a host of other problems during 1989 that will affect the outlook during 1990. The overall inflation rate rose to 4.6 percent from 4.4 percent in 1988. Despite the slower growth, inflation in consumer prices excluding the volatile food and energy components slipped only 0.2 percentage point and remained higher than in any year since 1984. Productivity growth slowed to 0.9 percent for the nonfarm business sector, the smallest increase in productivity since the recession year of 1982. Housing starts were also at their lowest level since 1982. The merchandise trade deficit showed some improvement, declining to $108 billion from $118 billion in 1988, but the improvement was much less than the year before.

Growth Forecasts. The private sector forecasters[1] who appeared during the Joint Economic Committee's hearings on the 1990 *Economic Report of the President* testified that they expect the economy to grow even more slowly this year than last. The average of their forecasts suggests slightly less than 2 percent real growth during 1990, fourth quarter over fourth quarter, a bit above the latest *Blue Chip* Consensus forecast of 1.6 percent growth. It is well within the Federal Open Market Committee's central tendency forecast of 1.75 to 2 percent growth in 1990.

Consumer spending is not expected to be a significant source of strength during the coming year. Consumers appear to be rebuilding their savings and reducing the debt burden they built up so rapidly earlier in the 1980s. As one witness testified, "The consumer generally seems to be becoming a little more cautious. He's leaving a little more money in his bank account and isn't quite so anxious to spend every dollar...."

Furthermore, most consumers do not have as much money to spend this year. Wage increases did not keep pace with inflation during 1989, with the result that real average weekly earnings for production and nonsupervisory workers – still the vast majority of working Americans – declined 2.3 percent during the past 12 months. This reduction in real earnings for most American workers, combined with the increased willingness to save, suggests that there will be a slowdown in consumer spending this year.

---

[1] Mr. Lawrence Kudlow, Senior Managing Director & Chief Economist, Bear, Stearns & Co., and former chief economist for the Office of Management and Budget; Mrs. Nancy Teeters, Vice President & Chief Economist, IBM Corporation, and former Member of the Board of Governors of the Federal Reserve; and Dr. David Wyss, Senior Vice President and Chief Financial Economist, DRI/McGraw Hill.

Business investment in plant and equipment was relatively soft in 1989 and inventories actually declined. Investment in housing also fell in 1989. A slowing economy is normally associated with lower long-term interest rates, and this anticipation has led many forecasters to predict that business spending and housing will rise this year, thus helping to buttress the economy. Long-term interest rates in the United States, however, have recently increased in response to rising rates in Germany and Japan, and this may well diminish the likelihood of an investment rebound in 1990. So will the lower corporate profits that many forecasters project, as discussed below. We suspect that, during the next few months, many forecasters will be lowering their projections for investment growth in 1990.

Foreign demand for U.S. products continued to grow in 1989, although the increase in net exports of goods and services was only half as large last year as it was during 1988. Due largely to the rise in the value of the dollar last year, forecasters expect little further improvement this year. The normal uncertainty in the forecast for government purchases of goods and services is being further clouded this year by the prospect of cuts in defense spending as well as by the fact that numerous State and local governments are facing possible spending cuts of their own to solve budget deficits.

The witnesses who testified before the Joint Economic Committee do not expect a recession this year. The probability of a recession during 1990 was gauged by our panel of forecasters in late January to be no higher than 35 percent, and probably less. In his appearance before the Committee, Chairman Greenspan testified that the likelihood of a recession has declined since last summer. Virtually all forecasters, nonetheless, expect less growth in 1990 than the 2.6 percent real growth forecast by the Administration.

In addition to its forecast for economic growth this year, the rest of the Administration's forecast also appears to be unduly optimistic, particularly its forecast for inflation, interest rates and corporate profits.

Inflation. A number of private forecasters agree with the Administration's view that overall consumer price inflation will decline from 4.6 percent in 1989 to just over 4 percent in 1990. Those who do accept this view, however, generally expect slow enough real growth -- significantly less than 2.6 percent -- to generate some slack in labor and product markets, which would hold prices down. Conversely, forecasters who expect strong growth this year also expect higher inflation, some even in the range of 5 to 6 percent. The January inflation numbers are not encouraging -- consumer prices excluding food and energy were up 0.6 percent in this one month alone, and producer prices suggest an inflation rate stuck around 4 percent. The fourth quarter productivity data support the view that inflation may not fall so easily this year – unit labor costs rose 4.8 percent during all of 1989 and at a 5.8 percent annual rate during the fourth quarter – while the employment cost index reported a 4.6 percent rise in labor costs to private-sector employers last year. The members of the Federal Open Market Committee expect the inflation rate to be somewhere in the range of 4 to 4.5 this year, even with less than 2 percent real economic growth.

Interest rates. The Administration projects a decline in interest rates this year, with short-term rates going down almost 1.5 points and long-term rates going down almost 1 point. This may have been a reasonable expectation when the Administration originally made its forecast toward the end of last year. At that time, the economy was showing considerable signs of weakness and the Federal Reserve was pursuing a policy of gradually lowering interest rates to keep the economy from going into a recession.

A further decline in interest rates, however, appears increasingly unlikely. Chairman Greenspan testified that the chance of recession has declined significantly since last summer. His remarks make it doubtful that the Fed will reduce interest rates, at least until there are further signs of weakening. While there is no guarantee that a recession will not occur this year, the Fed today appears to be more concerned about the threat of inflation than recession.

The recent rise in long-term interest rates in West Germany and Japan makes a decline in long-term rates increasingly remote in the United States. The central banks of both countries have been tightening during the past few months, and more sharply since the beginning of the year, in response to rising inflation expectations. The Japanese economy is operating closer to capacity than is ours, while West Germany is taking on an extraordinary burden in trying to integrate the East German economy into its own. Much of the rate differential that made U.S. securities attractive in past years to foreign investors has disappeared in recent weeks, and long-term rates in West Germany are currently higher than ours for the first time in more than ten years. Higher rates abroad have raised long-term rates in the United States – the rates on 10- and 30-year Treasury bonds are actually higher now than last year – counter to the Administration's forecast.

Profits. The Administration is also vulnerable on its forecast for corporate profits. Pretax profits are projected to rise from $303 billion in 1989 to $360 billion in 1990. This is far above the consensus of private forecasters, who expect profits actually to decline almost 2 percent in 1990. Corporate profits before tax fell steadily between the first and third quarters of 1989 and the weakness in the economy caused many firms to report even lower profits in the fourth quarter. Meanwhile, the Treasury's data on corporate profits tax receipts for the first four months of this fiscal year show a 13 percent decline from a year earlier. A strong rebound in profits will require strong economic growth, lower interest rates and declining labor costs, none of which seems likely at present. Reduced profits also will have a depressing effect on the outlook for business investment, which further clouds the prospects for economic growth this year.

Forecasts for 1991. For 1991, the Administration's economic forecast is also exceptionally optimistic, projecting much higher growth than the consensus of private forecasters (3.3 percent vs. 2.4 percent), slightly less inflation (4.0 percent vs. 4.2 percent), and significantly lower interest rates (5.4 percent for 3-month T-bills vs. 7.3 percent). In the February 10, 1990 *Blue Chip* survey of private forecasters, 39 of 42 participants expected real growth to be weaker than the Administration's forecast, 32 out of 35 expected long-term interest rates to be higher, and 37 out of 38 expected short-term rates to be higher. The prediction of simultaneous rapid growth and declines of interest rates sets the Administration's forecast off from the pack of private forecasters.

With unemployment fairly low and capacity utilization fairly high, it would be difficult for the economy to grow faster than its long-term trend in the next two years. And trend growth as rapid as the Administration projects would require an extraordinary pickup of productivity, to a pace well above the average for the past two decades and twice last year's rate. In these circumstances, the Federal Reserve is likely to remain concerned about inflation and is unlikely to ease monetary policy. Moreover, financial markets will be affected also by credit demands elsewhere in the world, which probably will be strong for the foreseeable future. Hence, a downtrend in real interest rates is very dubious – the more so, if U.S. expansion and credit demands should turn out to be robust.

We hope these views and estimates on the economy will help you in your deliberations on the 1991 budget.

Sincerely,	Sincerely,
	Paul Sarbanes
Lee H. Hamilton Chairman	Paul S. Sarbanes Vice Chairman

101ST CONGRESS 2ND SESSION

SENATE
LLOYD BENTSEN, TEXAS
CHAIRMAN
SPARK M. MATSUNAGA, HAWAII
DANIEL PATRICK MOYNIHAN, NEW YORK
BOB PACKWOOD, OREGON
ROBERT DOLE, KANSAS

HOUSE
DAN ROSTENKOWSKI, ILLINOIS
VICE CHAIRMAN
SAM GIBBONS, FLORIDA
J.J. PICKLE, TEXAS
BILL ARCHER, TEXAS
GUY VANDER JAGT, MICHIGAN

Congress of the United States
JOINT COMMITTEE ON TAXATION
1015 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6453
(202) 225-3621

RONALD A. PEARLMAN
CHIEF OF STAFF
STUART L. BROWN
DEPUTY CHIEF OF STAFF
MARY M. SCHMITT
ASSOCIATE CHIEF OF STAFF
(LAW)
BERNARD A. SCHMITT
ASSOCIATE CHIEF OF STAFF
(REVENUE ANALYSIS)

MAR 9 1990

Honorable James R. Sasser
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chairman Sasser:

The Joint Committee on Taxation is submitting as its report on the budget for fiscal year 1991 the enclosed publication, Estimates of Federal Tax Expenditures for Fiscal Years 1991-1995. The report was prepared by the staff of the Joint Committee (with assistance from the staff of the Treasury Department).

The items listed in the pamphlet are more inclusive than those listed in the analysis of tax expenditures in the President's budget for fiscal year 1991. Differences in coverage are pointed out in part I of the pamphlet. In the budget, estimates are presented for fiscal years 1989, 1990 and 1991. The Joint Committee report covers fiscal years 1991 through 1995.

Other matters relevant to the budget on which the Joint Committee works are covered in the report to your committee by the Committee on Finance.

Sincerely,

Ronald A. Pearlman

Enclosures - 2

[JOINT COMMITTEE PRINT]

ESTIMATES OF FEDERAL TAX EXPENDITURES FOR FISCAL YEARS 1991-1995

PREPARED FOR THE

COMMITTEE ON WAYS AND MEANS

AND THE

COMMITTEE ON FINANCE

BY THE STAFF

OF THE

JOINT COMMITTEE ON TAXATION

MARCH 9, 1990

27-301

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1990

JCS-7-90

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, DC 20402

JOINT COMMITTEE ON TAXATION

101st Congress, 2d Session

SENATE	*HOUSE*
LLOYD BENTSEN, Texas, *Chairman*	DAN ROSTENKOWSKI, Illinois, *Vice Chairman*
SPARK M. MATSUNAGA, Hawaii	SAM GIBBONS, Florida
DANIEL PATRICK MOYNIHAN, New York	J.J. PICKLE, Texas
BOB PACKWOOD, Oregon	BILL ARCHER, Texas
ROBERT DOLE, Kansas	GUY VANDER JAGT, Michigan

Ronald A. Pearlman, *Chief of Staff*
Stuart L. Brown, *Deputy Chief of Staff*
Mary M. Schmitt, *Associate Chief of Staff (Law)*
Bernard A. Schmitt, *Associate Chief of Staff (Revenue Analysis)*

CONTENTS

	Page
Introduction	1
I. The Concept of Tax Expenditures	2
II. Measurement of Tax Expenditures	7
III. Tax Expenditure Estimates	9
Table 1. Tax Expenditure Estimates by Budget Function, Fiscal Years 1991–1995	10
Table 2. Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability	18
Table 3. Distribution of Selected Individual Tax Expenditure Items by Income Class	19

INTRODUCTION

This report[1] on tax expenditures for fiscal years 1991-1995 is prepared for the House Committee on Ways and Means and the Senate Committee on Finance. The report also is submitted by the staff of the Joint Committee on Taxation to the House and Senate Committees on the Budget.

As in the case of earlier reports,[2] the estimates in this report were prepared with the cooperation of the staff of the Office of Tax Analysis in the Treasury Department. With the exception of the first two reports which were prepared at the request of the conferees on the Revenue Act of 1971, these reports have been prepared as the Joint Committee on Taxation's report under the budget process.

The Administration published its estimates of tax expenditures for fiscal years 1989-1991 in an analysis of tax expenditures in the Budget for Fiscal Year 1991.[3] The tax expenditure items included in this pamphlet and in that analysis overlap considerably, and the differences are discussed below in Part II under the heading "Comparisons with Budget Analysis".

The staff of the Joint Committee has made its estimates (as shown in Table 1) based on the provisions in tax law as enacted through December 31, 1989, including relevant tax provisions in the Omnibus Budget Reconciliation Act of 1989. Expired or repealed provisions are not listed if their effects on revenue result only from taxpayer activity in years before 1989. Some of the provisions repealed in the Tax Reform Act of 1986 may continue to appear as tax expenditures because a statutory phase out period has not been completed. Extensions or modifications of expiring provisions are not included until they have been enacted into law.

Part I of this report contains a discussion of the concept of tax expenditures, and it is followed in Part II by a discussion of the measurement of tax expenditures. Estimates of tax expenditures for fiscal years 1991-1995, are presented in Table 1 in Part III. Table 2 shows the distribution of tax returns by income class, and Table 3 presents distributions of selected individual tax expenditure items by income class.

---

[1] This report may be cited as follows: Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 1991-1995* (JCS-7-90), March 9, 1990.

[2] Joint Committee on Taxation, *Estimates of Federal Tax Expenditures*, October 4, 1972, June 1, 1973, July 8, 1975, March 15, 1976, March 16, 1977, March 14, 1978, March 15, 1979, March 6, 1980, March 16, 1981, March 8, 1982, March 7, 1983, November 9, 1984, April 12, 1985, March 1, 1986, February 27, 1987, March 8, 1988, and February 28, 1989.

[3] Office of Management and Budget, "*Tax Expenditures*," Sec. 2, IV. C., *The Budget of the United States Government for Fiscal Year 1991*, pp. A59-76.

I. THE CONCEPT OF TAX EXPENDITURES

Overview

Tax expenditure estimates measure the decreases in individual and corporate income tax liabilities that result from provisions in income tax laws and regulations that provide economic incentives or tax relief to particular kinds of taxpayers. In other words, tax expenditures result in a taxpayer paying less tax than would be paid on economic income. These tax provisions take the form of exclusions, credits, deductions, preferential tax rates, or deferrals of tax liability. (Tax disincentives or penalties are not shown as negative tax expenditures.)

The term tax expenditure is based on the assumption that the objectives of these tax provisions could be accomplished by direct expenditure programs. Tax expenditures, in this view, are analogous to those direct expenditures which have no program spending limits, and which are available as entitlements to individuals and corporations who meet the statutory and regulatory criteria established for the programs. Tax expenditure provisions, like all tax provisions but unlike direct spending programs, are administered by the Internal Revenue Service. Tax expenditures require no further action by the Federal Government; direct expenditure programs require at least approval of an application form submitted by a potential beneficiary. Like entitlement programs, tax expenditures usually do not have expiration dates.

Tax expenditure estimates have been prepared for use in public policy analysis to determine the relative merits of providing direct outlays or tax benefits to achieve specified public goals. To provide this capability, the Congressional Budget Act of 1974 requires that a report on tax expenditures be submitted to the House and Senate Budget Committees. These committees include tax expenditure estimates in their reports that accompany the annual budget resolutions.

In this report, the Joint Committee on Taxation staff follows the definition of tax expenditures that appears in the Congressional Budget Act: "* * * those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption or deduction from gross income or which provide a special credit, a preferential rate of tax or a deferral of tax liability."[4] The legislative history of this Act indicates that tax expenditures are to be defined with reference to a normal income tax structure as was the case in the first two tax expenditure pamphlets prepared by the Joint Committee staff.

The normal income tax structure of the individual income tax includes one personal exemption for each taxpayer and one for each dependent; the standard deduction, which serves as a general minimum deduction for all taxpayers; the existing tax rate schedule; the limit on using passive losses to offset other income;[5] and deductions for costs incurred in producing net income, e.g., investment expenses or the cost of the tools that a mechanic purchases for use on the job.

---

[4] Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344), sec. 3(a)(3).

The Joint Committee staff acknowledges that its concept of the normal tax structure may err on the side of being too narrow and its application of the definition of tax expenditures may err on the side of being too broad. An item traditionally has been listed as a tax expenditure for which there is a reasonable basis for such classification and more than a de minimis revenue loss, which in this context, means a revenue loss of at least $10 million in each of the five fiscal years 1991-1995. The staff emphasizes, however, that in the process of listing tax expenditure items, no judgment is made, nor any inference intended, about the desirability of any special provision as a matter of public policy.

As defined in the Congressional Budget Act, the concept of tax expenditure refers to the corporate and individual income taxes. Other parts of the Internal Revenue Code—excise taxes, employment taxes, estate and gift taxes—also have exceptions, exclusions, refunds and credits, but they are not included in this report because they are not parts of the income tax. Thus, the income tax credit for producing ethanol for use in blending gasohol is included, while the equivalent exemption from the excise tax on gasohol sales is not treated here as a tax expenditure.

Individual Income Tax

Neither the standard deduction nor the personal exemption for the taxpayer and dependents are included as tax expenditures because Congress believes these amounts approximate the level of income below which it would be difficult for an individual or a family to obtain minimal amounts of food, clothing, and shelter. Thus, itemized deductions are classified as tax expenditures only to the extent they exceed the standard deduction.

Deductions for costs incurred in producing income are considered part of the normal income tax structure and, therefore, are not listed as tax expenditures. These include deductions for job-related moving expenses and, subject to certain limitations, employee business expenses, investment expenses, and business-related travel expenses. In addition, deductible interest expenses, which include such items as interest paid or accrued on indebtedness incurred in connection with a trade or business, investment interest to the extent of investment income, or interest payable on any unpaid portion of tax due on an estate when an extension of time for payment is in effect, are not tax expenditure items. Tax expenditure items include mortgage interest on a principal or second residence, nonmortgage interest in excess of investment income (which includes interest on home equity loans and qualified interest on consumer debt under the phaseout), and the permanent exemption from imputed interest rules.

---

[5] Beginning with this report, exceptions to the limits on the use of passive losses are not treated as tax expenditures; instead they are considered to be part of the statutory limits on passive loss use.

The exclusion from income of a percentage of capital gains for individuals and the alternative rate for corporations was repealed by the Tax Reform Act of 1986 and no longer is a tax expenditure. Other capital gains exclusions and deferrals from income which were not changed by the Tax Reform Act of 1986 continue in the tax expenditure list. The exclusion of capital gains from income at death, the deferral of capital gains on home sales rollovers, and the exclusion of capital gains up to $125,000 on home sales for individuals age 55 or over, which were not changed in the Tax Reform Act of 1986, remain in the tax expenditure list.

Imputed income received by individuals from the services of their own durable assets is not included in gross income and is not treated as a tax expenditure. Such imputations are often considered as income under other concepts of income, e.g., as used in measuring gross national product. Measurement of imputed income for inclusion for income tax purposes presents severe administrative problems, and its exclusion from taxable income is regarded as an administrative necessity rather than as a specific incentive to encourage certain kinds of consumption. The imputed income from an owner-occupied home is the most prominent of these omitted items; among the others are the income that could be imputed to household furniture and appliances, books, art collections, and automobiles. If all the imputed income items were included in adjusted gross income, however, it would be proper to include all interest deductions as part of the normal tax structure, since interest deductions would be allowable as a cost of producing imputed income.

Business Income Taxation

The most difficult issues in defining tax expenditures for business income of individuals and corporations relate to capital costs, which are costs not properly allocable to income earned in a single year. It is assumed, for example, that the normal tax structure would permit straight-line cost recovery deductions on structures and equipment over the asset's estimated useful life, as used for the alternative minimum tax.

The measurement of income from capital under the normal tax structure does not take account of the effects of inflation on depreciation, capital gains, and interest payments. Thus, certain tax expenditure estimates may be larger or smaller than would be the case if the normal tax structure were indexed. For example, the definition of depreciation in the tax expenditure estimates does not take into account the effect of inflation in eroding the real value of depreciation deductions and therefore tends to overstate the tax expenditures. Fixed accelerated depreciation schedules do not always provide deductions whose real value corresponds to the amount originally paid for the asset. Because annual rates of inflation vary considerably, fixed accelerated depreciation schedules will overstate or understate in any given year the real value of depreciation of assets.

The foreign tax credit is not classified in this report as a tax expenditure because it is intended to prevent double taxation of income earned abroad by U.S. investors.

Comparisons with Budget Analysis

The Joint Committee on Taxation and Treasury Department lists of tax expenditures differ for several reasons. First, the Joint Committee uses as its measure of tax expenditures the definition of tax expenditure in the Congressional Budget Act of 1974. A normative concept based on the Internal Revenue Code, as amended by the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986, is used by the Treasury in determining which items to include for purposes of budget analysis. Second, the Joint Committee in 1985 expanded its list of tax expenditures to include several of the tax provisions recommended for repeal under the principles employed in developing both the President's and the Treasury Department's tax simplification and reform proposals.[6] Third, the budget analysis covers the usual three-year period of a budget submission—the most recent fiscal year, the current fiscal year, and the fiscal year to which the budget proposals apply, i.e., fiscal years 1989-1991. The Joint Committee estimates apply to the next fiscal year and the succeeding four fiscal years, i.e., fiscal years 1991-1995. In addition, the Joint Committee estimates which cover provisions in the Internal Revenue Code of 1986, as in effect on December 31, 1989, and may include in this year's report several expired or repealed provisions for which lengthy transition periods have been provided and which involve substantial amounts of revenue foregone.

The budget analysis this year contains a new section that presents a review and revenue loss estimates of several estate and gift tax provisions which Treasury considers to be tax expenditures. The Joint Committee staff, as indicated above, has treated estate and gift tax provisions as being outside of the normal income tax structure and therefore has omitted them from the list of tax expenditures.

Tax expenditure items in the Joint Committee list which have not been included separately, or within another item, in the listing in the budget analysis are shown below.

International affairs

—Exclusion of certain allowances for Federal employees abroad

Energy

—Expensing tertiary injectants

Agriculture

—Deductibility of patronage dividends and certain other items of cooperatives

—Exclusion of cost-sharing payments

---

[6] The White House, *The President's Tax Proposals to the Congress for Fairness, Growth and Simplicity*, Washington, D.C., May 1985, and Office of the Secretary of the Treasury, *Tax Reform for Fairness, Simplification, and Economic Growth: The Treasury Department Report to the President*, vols. 1 and 2, Washington, D.C., Department of the Treasury, November 1984.

—Cash accounting for certain closely-held corporate farms

Insurance companies

—Deduction of unpaid property loss reserves of property and casualty companies

—Treatment of life insurance company reserves

—Exclusion of investment income from structured settlement amounts

Business and commerce

—Expensing up to $10,000 depreciable business property

—Expensing magazine circulation expenditures

—Special rules for magazine, paperback book, and record returns

—Completed contract rules

—Cash accounting, other than agriculture

—Exception from net operating loss limitations for corporations in bankruptcy

—Like-kind exchanges

—Gain from sale or exchange to effectuate policies of the FCC

Transportation

—Exclusion of interest on State and local government bonds for high-speed inter-urban rail facilities

Employment

—Exclusion of benefits provided under cafeteria plans

—Exclusion of miscellaneous fringe benefits

—Exclusion of employee awards

II. MEASUREMENT OF TAX EXPENDITURES

Estimates of tax expenditures as revenue losses are subject to important limitations. The difference between the estimates of tax liabilities under present law, which provides for a particular tax expenditure provision, and the higher level of tax liabilities under the assumption that the provision did not exist, is the amount of the tax expenditure. For this computation, as opposed to revenue estimates provided for legislative purposes, it is assumed that nothing else changes, i.e., these are static estimates that do not anticipate taxpayer behavioral responses to changes in tax law.

Each tax expenditure is measured in isolation. If two or more items were to be eliminated simultaneously, the result of the combination of changes might produce a lesser or greater revenue effect than the sum of the amounts shown for each item separately. This means that the addition of the amounts of various tax expenditure items is of quite limited usefulness, and this is why annual totals for all tax expenditures in Table 1 are shown only as an addendum to Table 1.

If a tax expenditure item were to be eliminated, it is possible that Congress would deal with the underlying reason for enacting the tax expenditure in another way, rather than simply terminating federal assistance of any kind. For example, the Tax Reform Act of 1986 repealed the itemized deduction for adoption expenses and in its place authorized a direct spending program for such expenses. To the extent that a replacement program would be adopted, the higher revenues received as a result of the elimination of a tax expenditure might not represent a net budget gain. The nature of any alternative program cannot be anticipated—it could involve direct expenditures, direct loans or loan guarantees, a different form of a tax expenditure, or a general reduction in tax rates. If any tax expenditures were repealed, adjustments might be made through fiscal or monetary policy to offset the effects of higher tax liabilities on the economy; the estimates of tax expenditures do not anticipate such policy responses.

Year-to-year differences in the estimates for each tax expenditure reflect changes in tax law, including phaseouts of tax expenditure provisions and changes which alter the definition of the normal tax structure, such as, the tax rate schedule, the personal exemption amount, and the standard deduction. Some of the estimates for this tax expenditure budget may differ from estimates made in previous years because of changes in law and economic conditions, the availability of better data, and improved estimating techniques. Similar differences also occur in the budget estimates for direct outlays.

An alternative way to measure tax expenditures is to express their values in terms of outlay equivalents, i.e., how large direct outlays would have to be for a program in order to place the taxpayer in the same after-tax position as would be attained under a tax expenditure regime; the administration presents such estimates in an analysis in its document. Often the outlay equivalent is greater than the revenue loss, because in many cases outlays would have to be included in the taxable income of the beneficiaries of the program.

III. TAX EXPENDITURE ESTIMATES

To aid analysis of the economic benefits provided through the tax laws to various sectors of the economy, tax expenditures are grouped in Table 1 in the same functional categories as outlays in the Federal budget. Estimates are shown separately for individuals and corporations. Those tax expenditures that do not fit clearly into any of the budget functional categories have been placed in the most appropriate functional category.

Several of the tax expenditure items involve small revenue loss, and those estimates are indicated in Table 1 by footnote 1. For each of these items, the footnote means that the revenue loss is less than $50 million in the fiscal year.

Table 2 presents tax return information for each of nine income classes on the number of all returns filed, the number of all returns and taxable returns with itemized deductions, and the amount of tax liability.

Table 3 provides estimates by income class for some of the tax expenditures which affect individual taxpayers. Not all tax expenditures which affect individuals are shown in this table because of the difficulty in making reliable estimates of the income distribution of items which do not appear on tax returns under present law.

Tables 1, 2, and 3 assume the tax laws as enacted through December 31, 1989.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1991–1995

[Billions of dollars]

Function	Corporations					Individuals					Total 1991–95
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	
National defense											
Exclusion of benefits and allowances to Armed Forces personnel						2.0	2.1	2.1	2.2	2.3	10.7
Exclusion of military disability pensions						0.1	0.1	0.1	0.1	0.1	0.5
International affairs											
Exclusion of income earned abroad by U.S. citizens						1.4	1.5	1.5	1.6	1.6	7.6
Exclusion of certain allowances for Federal employees abroad						0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	0.8	0.9	1.0	1.1	1.1						4.8
Deferral of income of controlled foreign corporations	0.2	0.2	0.2	0.3	0.3						1.1
Inventory property sales source rule exception	2.9	3.2	3.4	3.7	3.8						17.1
Interest allocation rules exception for certain nonfinancial institutions	0.1	0.1	0.2	0.2	0.2						0.8
General science, space, and technology											
Expensing of research and development expenditures	1.4	1.5	1.7	1.9	2.0						8.5
Credit for increasing research activities	0.7	0.2	(1)	(1)	(1)						0.9
Energy											
Expensing of exploration and development costs:											
Oil and gas	−0.3	−0.1	(1)	0.1	0.2	0.5	0.5	0.6	0.6	0.7	2.8
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Excess of percentage over cost depletion:											
Oil and gas	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.4	2.2
Other fuels	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.1
Alternative fuel production credit	(1)	(1)	(1)	(1)	(1)						0.1
Alcohol fuel credit [3]	(1)	(1)	(1)			(1)	(1)	(1)			(1)

Exclusion of interest on State and local government industrial development bonds for energy production facilities	[2]	[2]	[2]	[2]	[2]	0.2	0.2	0.2	0.2	0.2	1.0
Expensing of tertiary injectants	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	0.1
Business energy tax credits	[1]	[2]	[2]	[2]	[2]						[2]
Natural resources and environment											
Expensing of exploration and development costs, nonfuel minerals	[1]	[1]	[1]	0.1	0.1	[1]	[1]	[1]	[1]	[1]	0.3
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.3	0.3	0.3	0.3	[1]	[1]	[1]	[1]	[1]	1.4
Investment credit and 7-year amortization for reforestation, expenditures	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	0.2
Expensing multiperiod timber-growing costs	0.3	0.4	0.4	0.4	0.4	[1]	[1]	[1]	[1]	[1]	2.1
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	−0.3	−0.4	−0.4	−0.4	−0.5	1.8	1.8	1.9	2.0	2.0	7.5
Investment tax credit for rehabilitation of historic structures	[1]	[1]	[1]	[1]	[1]	0.1	0.1	0.1	0.1	0.1	0.5
Special rules for mining reclamation reserves	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	0.2
Agriculture											
Expensing certain multiperiod production costs	0.1	[1]	[1]	[1]	[1]	0.2	0.2	0.1	0.1	0.1	0.9
Deductibility of patronage dividends and certain other items of cooperatives	0.3	0.3	0.3	0.3	0.4	−0.1	−0.1	−0.1	−0.1	−0.1	1.3
Exclusion of cost-sharing payments						[1]	[1]	[1]	[1]	[1]	0.1
Exclusion of cancellation of indebtedness income of farmers						[1]	[1]	[1]	[1]	[1]	0.1
Cash accounting for agriculture	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.2	0.1	0.1	1.6
Commerce and housing											
Financial institutions:											
Bad-debt reserves of financial institutions	0.2	0.1	0.1	0.2	0.2						0.8
Merger rules for banks and thrift institutions	2.5	2.3	2.3	2.0	1.9						11.0
Exemption of credit union income	0.6	0.6	0.7	0.8	0.9						3.6
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	0.4	0.4	0.5	0.5	0.5	7.0	7.7	8.4	9.2	10.1	44.7
Exclusion of investment income from structured settlement amounts	[1]	[1]	[1]	[1]	[1]						0.1
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1						0.5
Treatment of life insurance company reserves	0.7	0.7	0.7	0.8	0.8						3.7

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1991-1995—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1991-95
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	
Deduction of unpaid loss reserves for property and causualty insurance companies	1.9	1.6	1.4	1.3	1.1						7.4
Special alternative tax on small property and casualty insurance companies	(1)	(1)	(1)	(1)	(1)						0.1
Tax exemption for certain insurance companies	(1)	(1)	(1)	(1)	(1)						0.1
Special deduction for Blue Cross and Blue Shield companies	0.1	0.1	(1)	(1)	(1)						0.2
Housing:											
Deductibility of mortgage interest on owner-occupied residences						31.9	33.9	36.1	38.4	39.9	180.3
Deductibility of property tax on owner-occupied homes						8.3	8.7	9.1	9.4	9.8	45.3
Deferral of capital gains on sales of principal residences						10.9	11.5	12.1	12.7	13.6	60.7
Exclusion of capital gains on sales of principal residences for persons age 55 and over						3.6	3.8	4.0	4.2	4.5	20.2
Exclusion of interest on State and local government bonds for owner-occupied housing	0.3	0.3	0.3	0.3	0.3	1.4	1.4	1.3	1.2	1.1	7.9
Depreciation of rental housing in excess of alternative depreciation system	0.3	0.3	0.3	0.3	0.4	0.5	0.5	.05	0.6	0.6	4.3
Credit for low-income housing	0.1	0.1	0.1	0.1	0.1	0.5	0.6	0.6	0.6	0.6	3.4
Exclusion of interest on State and local government bonds for rental housing	0.2	0.2	0.3	0.3	0.3	0.6	0.6	0.6	0.7	0.7	4.5
Other business and commerce:											
Depreciation on buildings other than rental housing in excess of alternative depreciation system	0.5	0.5	0.5	0.5	0.5	0.2	0.2	0.2	0.2	0.2	3.5
Depreciation on equipment in excess of alternative depreciation system	12.4	14.2	16.0	17.8	19.5	4.0	4.3	4.7	5.2	5.7	103.8

Investment credit other than ESOPs, rehabilitation of structures, reforestation, and energy property	1.7	1.0	0.3	0.1	0.1	0.2	0.1	(1)	(1)	(1)	3.5
Expensing up to $10,000 depreciable business property	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.1
Exclusion of capital gains at death:											
Capital gains at death						5.5	6.0	6.6	7.1	7.6	32.8
Carryover basis on gifts						0.9	1.1	1.2	1.4	1.7	6.3
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.0
Reduced rates on first $75,000 of corporate taxable income	5.5	5.7	6.0	6.2	6.5						29.9
Deduction of personal interest						0.9					0.9
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.0
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Special rules for magazine, paperback, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.8
Completed contract rules	−0.4	0.2	0.3	0.3	0.3	(2)	(1)	(1)	(1)	(1)	0.4
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Exclusion of interest on State and local government small-issue bonds	−0.1	−0.1	−0.1	−0.1	−0.1	2.4	2.4	2.4	2.4	2.4	11.6
Deferral of gain on like-kind exchanges	0.3	0.3	0.3	0.3	0.4	0.2	0.2	0.2	0.2	0.2	2.7
Exception from net operating loss limitations for corporations in bankruptcy proceedings						0.2	0.2	0.2	0.2	0.2	1.0
Gain from sale or exchange to effectuate policies of the FCC	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Exemption of RIC expenses from miscellaneous deduction floor						0.4	0.5	0.6	0.7	0.8	3.0
Transportation											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1						0.5
Exclusion of interest on State and local government bonds for mass transit commuting vehicles	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of interest on State and local government bonds for high-speed inter-urban rail facilities	(2)	(2)	(2)	(2)	(2)	(1)	0.1	0.1	0.2	0.2	0.6
Community and regional development											
Investment credit for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1991-1995—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1991-95
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	
Exclusion of interest on State and local government bonds for private airports and docks	−0.1	−0.1	−0.1	−0.2	−0.2	0.7	0.8	0.8	0.8	0.9	3.3
Education, training, employment, and social services											
Education and training:											
Exclusion of scholarship and fellowship income						0.5	0.6	0.6	0.6	0.7	3.0
Parental personal exemption for students age 19 to 23						0.3	0.3	0.3	0.4	0.5	1.8
Exclusion of interest on State and local government student loan bonds	(1)	(1)	(1)	(1)	(1)	0.3	0.4	0.4	0.4	0.4	1.9
Exclusion of interest on State and local government bonds for private educational facilities	(1)	(1)	(1)	(1)	(1)	0.3	0.3	0.3	0.3	0.3	1.5
Deductibility of charitable contributions for education	0.5	0.5	0.6	0.6	0.6	1.4	1.5	1.5	1.6	1.6	10.4
Educational savings bonds						(1)	0.1	0.2	0.2	0.3	0.8
Employment:											
Targeted jobs credit	0.2	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Exclusion of employee meals and lodging (other than military)						0.8	0.8	0.8	0.9	0.9	4.2
Employee stock ownership plans (ESOPs)	0.8	0.9	1.0	1.1	1.2	(1)	(1)	(1)	(1)	(1)	5.0
Exclusion for benefits provided under cafeteria plans						2.4	3.1	3.6	4.0	4.5	17.6
Exclusion of rental allowances for minister's home						0.2	0.2	0.3	0.3	0.3	1.3
Exclusion of miscellaneous fringe benefits						4.1	4.4	4.8	5.1	5.4	23.9
Exclusion of employee awards						0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of income earned by benefit organizations:											
Supplemental unemployment benefits trusts						(1)	(1)	(1)	(1)	(1)	0.1

Voluntary employees' beneficiary associations						0.5	0.5	0.5	0.5	0.6	2.7
Social services:											
Deductibility of charitable contributions, other than for education and health	0.5	0.5	0.6	0.6	0.6	1.3	1.4	1.5	1.5	1.6	10.1
Credit for child and dependent care expenses						4.1	4.3	4.5	4.6	4.8	22.3
Exclusion for employer-provided child care						0.3	0.3	0.4	0.5	0.5	2.0
Exclusion for certain foster care payments						(1)	(1)	(1)	(1)	(1)	0.1
Expensing costs of removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health											
Exclusion of contributions by employers and self-employed for employed for medical insurance premiums and medical insurance premiums and medical care						33.3	38.0	42.4	46.8	49.5	210.0
Deductibility of medical expenses						2.9	3.1	3.2	3.3	3.4	15.9
Exclusion of interest on State and local government bonds for private hospital facilities	(1)	0.1	0.1	0.1	0.1	2.4	2.6	2.9	3.2	3.5	15.0
Deductibility of charitable contributions for health	0.2	0.2	0.2	0.2	0.2	1.3	1.4	1.5	1.6	1.7	8.5
Tax credit for orphan drug research						(1)	(1)	(1)	(1)	(1)	0.1
Medicare											
Exclusion of untaxed medicare benefits:											
Hospital insurance						5.6	6.4	7.2	8.2	9.2	36.6
Supplementary medical insurance						3.2	4.0	4.8	5.7	6.9	24.6
Income security											
Exclusion of untaxed railroad retirement system benefits						0.4	0.4	0.4	0.4	0.4	2.0
Exclusion of workers' compensation benefits						2.4	2.5	2.6	2.7	2.8	13.0
Exclusion of special benefits for disabled coal miners						0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of cash public assistance benefits						0.3	0.4	0.4	0.4	0.4	1.9
Net exclusion of pension contributions and earnings						52.2	54.3	56.5	58.8	61.3	283.1
Individual retirement plans						6.4	6.7	7.0	7.3	7.5	34.9
Keogh plans						2.7	2.9	3.0	3.2	3.4	15.2
Exclusion of other employee benefits:											
Premiums on group term life insurance						1.9	2.0	2.1	2.2	2.3	10.5
Premiums on accident and disability insurance						0.1	0.1	0.1	0.1	0.1	0.5
Exclusion for employer-provided death benefits						(1)	(1)	(1)	(1)	(1)	0.5
Additional standard deduction for the blind and the elderly						1.7	1.9	2.1	2.4	2.6	10.7

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1991-1995—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1991-95
	1991	1992	1993	1994	1995	1991	1992	1993	1994	1995	
Tax credit for the elderly and disabled						0.1	0.1	0.1	0.1	0.1	0.5
Deductibility of casualty and theft losses						0.2	0.2	0.1	0.1	0.1	0.7
Earned income credit [4]						1.2	1.3	1.4	1.5	1.6	7.0
Social security											
Exclusion of untaxed social security benefits						22.6	23.4	24.1	24.9	25.7	120.7
Veterans' benefits and services											
Exclusion of veterans' disability compensation						1.4	1.4	1.5	1.5	1.6	7.4
Exclusion of veterans' pensions						0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of GI bill benefits						0.1	0.1	0.1	0.1	0.1	0.4
Exclusion of interest on State and local government veterans' housing bonds	0.1	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
General purpose fiscal assistance											
Exclusion of interest on public purpose State and local government debt	1.5	1.5	1.4	1.4	1.3	8.9	10.0	10.9	11.8	13.0	61.7
Deduction of nonbusiness State and local government income and personal property taxes						20.4	21.8	23.4	25.1	26.9	117.6
Exclusion and tax credit for corporations with possessions source income	2.4	2.6	2.7	2.9	3.0						13.6
Interest											
Deferral of interest on savings bonds						1.0	1.0	1.0	1.0	1.0	5.0

[1] Positive tax expenditure of less than $50 million.

[2] Negative tax expenditure of less than $50 million.

[3] In addition, the 6-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.4 billion per year for 1991 and 1992, $0.3 billion in 1993, and $0.1 billion in 1994.

[4] The figures in the table show the effect of the earned income credit on receipts. The increase in outlays is: $4.9 billion in 1991, $5.1 billion in 1992, $5.4 billion in 1993, $5.8 billion in 1994, and $6.3 billion in 1995.

ADDENDUM TO TABLE 1.—SUM OF TAX EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1991–1995

[Billions of dollars]

Fiscal year	Corporations	Individuals	Total
1991	40.7	277.6	318.3
1992	42.3	297.0	339.3
1993	44.6	316.4	361.0
1994	47.3	337.1	384.4
1995	49.7	357.0	406.7

Note: These totals represent the mathematical sum of the estimated fiscal year effect of each of the tax expenditure items included in Table 1. The limitations on the use of the totals is explained in the text.

Table 2.—Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability, at 1991 Rates and 1991 Law and 1991 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	All returns [3]	Taxable returns	Itemized returns		Tax liability
			Total	Taxable	
Below $10	25,592	3,672	422	156	−213
$10 to $20	28,106	17,293	2,035	1,296	14,160
$20 to $30	22,896	20,076	3,816	3,334	34,466
$30 to $40	17,105	16,492	5,431	5,201	44,829
$40 to $50	9,669	9,522	4,275	4,129	37,026
$50 to $75	12,475	12,387	8,009	7,877	90,986
$75 to $100	3,599	3,581	2,948	2,943	45,362
$100 to $200	3,134	3,119	2,818	2,812	82,771
$200 and over	1,142	1,133	1,053	1,034	137,138
Total	**123,717**	**87,273**	**30,807**	**28,781**	**486,523**

[1] Tax law as in effect on January 1, 1991, is applied to the 1991 level and sources of income and their distribution among taxpayers. Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into classes is adjusted gross income (AGI) plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside build-up on life insurance, (4) workers' compensation, (5) nontaxable social security benefits, (6) deductible contributions to individual retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preferences, from passive business activities.

[3] Includes filing and nonfiling units. Filing units include all taxable and nontaxable returns. Nonfiling units include individuals with income that is exempt from Federal income taxation (*e.g.*, transfer payments, interest from tax-exempt bonds, etc.)

Note: Detail may not add to total due to rounding.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1991 Rates and 1991 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Medical deduction		Real estate tax deduction	
	Returns	Amount	Returns	Amount
Below $10	59	11	43	2
$10 to $20	724	190	892	74
$20 to $30	1,191	351	2,700	297
$30 to $40	1,692	621	4,516	615
$40 to $50	912	338	3,901	594
$50 to $75	869	483	7,543	2,214
$75 to $100	209	271	2,804	1,394
$100 to $200	138	425	2,651	2,026
$200 and over	25	191	942	1,391
Total	5,819	2,881	25,993	8,606

Footnotes at end of Table 3.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1991 Rates and 1991 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	State and local income tax deduction		Charitable contributions deduction	
	Returns	Amount	Returns	Amount
Below $10	66	2	53	1
$10 to $20	1,008	83	966	52
$20 to $30	2,809	376	2,970	244
$30 to $40	4,454	934	4,875	738
$40 to $50	3,689	906	4,054	657
$50 to $75	6,915	3,553	7,854	1,951
$75 to $100	2,594	2,451	2,887	1,177
$100 to $200	2,454	5,081	2,764	2,516
$200 and over	866	7,723	1,024	6,297
Total	24,854	21,110	27,446	13,632

Footnotes at end of Table 3.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1991 Rates and 1991 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Child care credit		Earned income credit [3]	
	Returns	Amount	Returns	Amount
Below $10	29	5	1,907	1,352
$10 to $20	1,241	508	5,717	4,039
$20 to $30	2,083	1,025	2,848	842
$30 to $40	1,815	932	165	59
$40 to $50	1,222	579	33	15
$50 to $75	1,670	748	19	5
$75 to $100	477	221	4	3
$100 to $200	260	114	0	0
$200 and over	52	28	0	0
Total	8,848	4,159	10,693	6,316

Footnotes at end of Table 3.

Table 3.—Distribution by Income Class of Selected Individual Tax Expenditure Items, at 1991 Rates and 1991 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Untaxed Social Security benefits		Additional standard deduction for the elderly and blind	
	Returns	Amount	Returns	Amount
Below $10	(4)	(5)	3	(5)
$10 to $20	3,360	641	1,667	193
$20 to $30	3,190	1,698	3,005	428
$30 to $40	3,158	2,448	2,131	362
$40 to $50	5,245	5,612	1,120	203
$50 to $75	6,062	7,186	842	204
$75 to $100	2,040	1,927	163	47
$100 to $200	1,140	1,399	103	31
$200 and over	204	376	34	9
Total	24,372	21,286	9,068	1,476

---

[1] Excludes individuals who are dependents of other taxpayers.

[2] The income concept used to place tax returns into classes is adjusted gross income (AGI) plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside buildup on life insurance, (4) workers' compensation, (5) nontaxable social security benefits, (6) deductible contributions to individuals retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preference, from passive business activities.

[3] Includes the refundable portion of the earned income credit.

[4] Less than 500.

[5] Less than $500,000.

Note: Detail may not add to total due to rounding.

ROLL CALL VOTES IN COMMITTEE

Roll call votes taken during Committee consideration of the Concurrent Resolution on the Budget of Fiscal Year 1991 were as follows:

(1) The CONRAD budget plan, $56.5 Billion Deficit Reduction.

The CONRAD motion was not agreed to: 7 yeas 15 Nays

Yeas: Mr. Sasser
Mr. Hollings
Mr. Simon
Mr. Wirth
Mr. Fowler
Mr. Conrad
Mr. Robb

Nays: Mr. Johnston
Mr. Riegle
Mr. Exon
Mr. Lautenberg
Mr. Sanford
Mr. Dodd
Mr. Domenici
Mr. Armstrong
Mr. Boschwitz
Mr. Symms
Mr. Grassley
Mr. Kasten
Mr. Nickles
Mr. Rudman
Mr. Gramm
Mr. Bond

(2) The WIRTH budget plan, $52.2 Billion Deficit Reduction.

The WIRTH amendment was not agreed to: 11 Yeas 12 Nays

Yeas: Mr. Sasser
Mr. Hollings
Mr. Johnston
Mr. Simon
Mr. Sanford
Mr. Wirth
Mr. Fowler
Mr. Conrad
Mr. Robb
Mr. Kasten
Mr. Nickles

Nays: Mr. Riegle
Mr. Exon
Mr. Lautenberg
Mr. Dodd
Mr. Domenici
Mr. Armstrong
Mr. Boschwitz
Mr. Symms
Mr. Grassley
Mr. Rudman
Mr. Gramm
Mr. Bond

(3) The SIMON budget plan, $50 Billion Deficit Reduction.

The SIMON amendment was not agreed to: 9 Yeas 14 Nays

Yeas:
Mr. Sasser
Mr. Hollings
Mr. Simon
Mr. Sanford
Mr. Wirth
Mr. Fowler
Mr. Conrad
Mr. Dodd
Mr. Robb

Nays:
Mr. Johnston
Mr. Riegle
Mr. Exon
Mr. Lautenberg
Mr. Domenici
Mr. Armstrong
Mr. Boschwitz
Mr. Symms
Mr. Grassley
Mr. Kasten
Mr. Nickles
Mr. Rudman
Mr. Gramm
Mr. Bond

(4) The HOLLINGS budget plan, $43.2 Billion Deficit Reduction.

The HOLLINGS motion was not agreed to: 7 Yeas 15 Nays

Yeas:
Mr. Hollings
Mr. Simon
Mr. Sanford
Mr. Wirth
Mr. Fowler
Mr. Dodd
Mr. Robb

Nays:
Mr. Sasser
Mr. Johnston
Mr. Riegle
Mr. Exon
Mr. Lautenberg
Mr. Domenici
Mr. Armstrong
Mr. Boschwitz
Mr. Symms
Mr. Grassley
Mr. Kasten
Mr. Rudman
Mr. Gramm
Mr. Bond

(5) The $50 billion budget plan.

The $50 billion budget plan was not agreed to: 8 Yeas 15 Nays

Yeas: Mr. Sasser
Mr. Simon
Mr. Sanford
Mr. Wirth
Mr. Fowler
Mr. Conrad
Mr. Dodd
Mr. Robb

Nays: Mr. Hollings
Mr. Johnston
Mr. Riegle
Mr. Exon
Mr. Lautenberg
Mr. Domenici
Mr. Armstrong
Mr. Boschwitz
Mr. Symms
Mr. Grassley
Mr. Kasten
Mr. Nickles
Mr. Rudman
Mr. Gramm
Mr. Bond

(6) The HOLLINGS Social Security plan to set revenue levels at:

	1991	*1992*	*1993*	*1994*	*1995*
SBC Baseline Revenues	$1,137.0	$1,203.8	$1,276.7	$1,354.6	1,437.8
Payroll Tax Cut	−36.5	−52.0	−55.7	59.5	−63.4
New Baseline Revenues	1,100.5	1,151.8	1,221.0	1,295.1	1,374.4

The HOLLINGS Social Security motion was not agreed to: 6 Yeas 17 Nays

Yeas: Mr. Hollings
Mr. Exon
Mr. Lautenberg
Mr. Sanford
Mr. Symms
Mr. Kasten

Nays: Mr. Sasser
Mr. Johnston
Mr. Riegle
Mr. Simon
Mr. Wirth
Mr. Fowler
Mr. Conrad
Mr. Dodd
Mr. Robb
Mr. Domenici
Mr. Armstrong
Mr. Boschwitz
Mr. Grassley
Mr. Nickles
Mr. Rudman
Mr. Gramm
Mr. Bond

(7) The SASSER budget plan, $43 Billion Deficit Reduction.

	1991
Defense	$13.0
Nondefense discretionary	3.6
Entitlement and mandatory	5.6
Fees and collections	6.2
Revenues	13.9
Debt service	2.0
Offsets	−1.3
Subtotal, savings	43.0
Fair share	11.1
Total savings	54.1

The SASSER budget motion was agreed to: 14 Yeas 9 Nays

Yeas:
Mr. Sasser
Mr. Hollings
Mr. Johnston
Mr. Riegle
Mr. Exon
Mr. Lautenberg
Mr. Simon
Mr. Sanford
Mr. Wirth
Mr. Fowler
Mr. Conrad
Mr. Dodd
Mr. Robb
Mr. Grassley

Nays:
Mr. Domenici
Mr. Armstrong
Mr. Boschwitz
Mr. Symms
Mr. Kasten
Mr. Nickles
Mr. Rudman
Mr. Gramm
Mr. Bond

ADDITIONAL VIEWS OF MR. RIEGLE

This budget resolution makes a strong statement about the need to achieve real deficit reduction. The package avoids gimmicks that result in little or no permanent savings and makes some tough choices about important Federal priorities.

This resolution also takes the first step toward the realization of what has been come to be known as the "Peace Dividend." The changes in Eastern Europe and Central America have profound implications for this country, particularly for our economic position in the world. The peace dividend represents a major opportunity to place our economy on a more sound footing by shifting resources from military to important civilian pursuits. The shift to a real peacetime economy presents many challenges, and for some communities, major difficulties which must be recognized and accommodated. However, we cannot affort to lose this opportunity to make much-needed investments in productivity and capital growth, including strengthening education and training programs. As the chairman of the newly established Task Force on the U.S. Economy in the 1990's, I intend to work with my colleagues to conduct a strategic review of national economic policy and determine how to invest the "Peace Dividend" to get the best economic return for the Nation.

I am pleased the resolution as reported from the Committee would provide additional funding for programs to address critical needs, including education, housing, community development, and health.

There are several aspects of this budget about which I have deep reservations. I am concerned about our ability to fund important priority programs under this proposal. The amount allocated to the Appropriations Committee would severely constrain our ability to achieve these much needed increases without gouging other important programs. Domestic discretionary spending has been cut more than 16 percent in real terms over the last decade, so many programs are struggling to provide much-needed services with less funding.

Housing, low income home energy assistance, and programs for Indians are examples of three areas which have been particularly hard hit, yet serve only a small fraction of those who need help. Housing has been cut 80 percent in real terms, while the need for affordable housing has grown dramatically. The Banking Committee has reported the National Affordable Housing Act, which would begin to address the housing problem in this country, and I hope to see legislation enacted by the end of this Congress.

Funding for the Low-Income Home Energy Assistance Program has been sharply reduced in recent years. This cut has had a severe impact on low-income people, particularly senior citizens, and the working poor, and the disabled. Reductions in LIHEAP have caused an increase in fuel shut-offs and created severe hardships in thousands of households. Per capita spending on American Indians also fell consistently during the 1980's resulting in billions of dollars of unmet needs in many areas including Indian housing, health, education, and the agencies which administer Indian programs.

At the same time, new problems have emerged which must be dealt with, including homelessness, hunger, drug abuse and AIDS. I hope the Senate will increase this allocation so that we can respond to the cries for help in communities across this country.

While the resolution provides no additional funding for expansions of the medicaid program or Title XX, it would accommodate congressional efforts in this area. I have been working with the chairman of the Finance Committee on legislation that includes phasing in medicaid coverage to all children up to 100 percent of poverty and allowing States to provide coverage for children with family incomes below 185 percent of the poverty level. A number of other important proposals are also under consideration to expand medicaid coverage for frail elderly, and disabled people, and victims of AIDS. These initiatives would help close major gaps in health care for our most vulnerable citizens.

The resolution would also accommodate an initiative to provide access to affordable health care for all Americans. Some 37 million of our fellow citizens have no health insurance, and many are unable to obtain the health care they need. A joint, bipartisan Finance Committee-Labor Committee working group is developing legislation to provide health care for all Americans and to address the problem of rising health care costs.

Increases for Title XX, the Social Services Block Grant, could also be accommodated. Title XX provides vital support for human services programs, including protective services for abused and neglected children, home-based meals for senior citizens, group homes for the mentally retarded, and many others. Additional funding for Title XX is urgently needed to help deal with the crack epidemic, AIDS, and other critical problems.

I am concerned about the burden that would be placed on the Finance Committee under this proposal. This resolution reconciles $20 billion to the Finance Committee for revenue, user fee and collection increases as requested by the President. However, CBO reestimates that the President's request would actually save only $15 billion. I believe that the level of savings required in this resolution can be achieved only with the full cooperation of the President. I am also concerned about the Committee's ability to address some of the crucial health problems addressed earlier under these circumstances.

Despite these reservations, I think it is time to take this issue to the full Senate for consideration. I hope that we will be able to strengthen this package to reflect the priorities that are important for the future economic strength of this Nation.

DONALD W. RIEGLE, Jr.

ADDITIONAL VIEWS OF MR. SANFORD

This budget resolution is a bold and honest effort to reduce the deficit. The assumed savings, in excess of $140 billion over 5 years, is without smoke and mirrors, and I commend the Chairman for proposing this plan. This is a dramatic departure from past resolutions adopted by this Committee and the Congress. The deficit reduction is real.

This budget resolution does, however, perpetrate a grand delusion that misleads the public into believing that a solution is at hand. It claims to reach a deficit, using OMB assumptions, of $47.5 billion, while actually adding more than $184 billion more to our Federal debt, now in excess of $3 trillion. This is not a fault of the Budget Committee, but a result of budget law.

For the first time in our history, we will soon pay more in total interest than we will pay for defense. Gross interest has exceeded the true deficit, which is the total increase in the Federal debt subject to the limit. The Congressional Budget Office projects that gross interest on the debt will exceed $276 billion in fiscal year 1991. This is a very high price to pay for our borrow and spend mentality that began with President Reagan and continues under President Bush.

The Gramm-Rudman deficit has become a deficit of convenience. It has fallen prey to budgetary gimmicks. It has become a moving target. Five years of deficit reduction under Gramm-Rudman has allowed the debt to increase by $1.3 trillion.

If we are ever to succeed at solving our problem of deficit, we must accurately define that problem. Properly defining deficit must be the first step we take with budget reform. We can no longer afford to use social security and other Federal retirement programs to mask the size of our deficits. We must eliminate the gimmicks.

Debt increase is our true deficit. Once we face this truth, we can apply an honest plan for deficit and debt reduction. Until we do, we will continue down the fateful path of building deadly hidden debt.

TERRY SANFORD.

ADDITIONAL VIEWS OF MR. CONRAD

I want to commend Chairman Sasser and his staff for the patience and extraordinary negotiating skills they have displayed throughout this difficult process. The result of this effort is a credible and constructive budget plan.

I am pleased to support this bold deficit reduction package. If enacted, it will reduce the budget deficit $54.1 billion in 1991. With this budget resolution, we are making many important first steps toward real changes that will reorder the priorities in the budget, reduce the Federal deficit, and pave the way to lower interest rates and a more competitive American economy. Clearly, this budget resolution does not end our work, but it provides the blueprint we need to restore sensible fiscal policy and stable economic growth.

The budget resolution approved by the Committee takes the lead in reversing the dramatic build-up in defense spending over the last decade, provides a framework for collecting taxes from those who do not pay what they owe, maintains baseline funding for agriculture programs, and accommodates some increases over baseline for some domestic priorities. These views will address each of these areas in turn.

TAX COMPLIANCE

I am pleased that the Committee has endorsed the concept of a "Fair Share" program for improving Federal tax compliance. The "tax gap"—money that taxpayers legally owe but do not voluntarily pay—is now about $100 billion a year and growing. Each year, the IRS is letting huge amounts slip through its fingers because it lacks the resources needed for effective enforcement and taxpayer service. Earlier this year, the IRS Commissioner told the Wall Street Journal, "If we had more people and better trained people we'd raise a lot more money." And when asked how much, he responded: "You need $40 billion? You got it."

The Fair Share program I have proposed is a multiyear effort to upgrade enforcement activity and assistance to taxpayers. Increased funding would enable the IRS to hire additional examiners, collections personnel, and attorneys. The general aims would be to improve audit coverage, reduce what have become staggering levels of accounts receivable, and resolve disputed cases more promptly.

My proposal seeks additional funding for computer modernization, to accelerate the agency's transition to a state-of-the-art system from one that has become thoroughly outmoded. Resources would also be channeled to the information reporting program, to enable notification of taxpayers and followup in a higher proportion of cases in which a document mismatch is identified through comparison of tax returns against the information provided by third parties. Under my Fair Share proposal, the IRS would be able to lift its hiring freeze and cover the full cost of the 1991 pay raise for its work force. And increased funding would be devoted to taxpayer service, including training, equipment, and supplies that employees need to provide prompt, courteous, and accurate assistance.

Over time, this investment in a comprehensive program to improve tax compliance will yield substantial revenue well in excess of the amounts expended. According to the IRS, the average return on investing in examinations is 15 to 1; in collections, this return is at least 12 to 1. For the activities encompassed by the Fair Share program, the marginal benefits from each additional dollar of investment are typically at least six times as great as the cost.

As part of the Fair Share Approach, the Committee approved the idea of a 6-month window during which time penalties could be waived as a means of encouraging taxpayers who have underreported income or failed to file tax returns to come forward and pay what they owe. To assure that this works as intended, Congress must assure that the resources for an effective enforcement effort are appropriated. With the budget resolution, we need to send the message that a significant investment—involving expenditures above the IRS baseline—must be made in fiscal 1991.

With the aid of a nationwide publicity campaign, taxpayers would get the message that they have only one chance to come forward and pay up before the vigorous new program is implemented. Based on the track record of successful state programs, this program should generate additional revenue of at least 1.5 percent of the income tax base. Altogether, the Fair Share approach I've outlined is expected to produce $63.7 billion over 5 years.

DEFENSE SPENDING

Over the last 10 years, we have funded the Department of Defense as though we were in the throes of active combat. In reality, however, we've experienced unprecedented peace. It is time to shape our defense department structure closer to that reality. While this budget does not go as far as I think we should, I commend the Chairman for providing the leadership to take it this far. This, too, is a first step toward changing our fiscal policies to more closely match the world in which we live.

The world has changed dramatically in the past 6 months. The threat on which the massive Reagan defense build up was based is crumbling before our very eyes. It is no longer reflective of reality to go on providing the defense umbrella for a recovered and thriving Europe and Japan. Certainly, the Committee's recommendation to reduce defense outlays in 1991 by $13 billion is a sound acknowledgement of this new reality. With our huge budget deficit and $3 trillion national debt we could not continue the defense buildup any longer.

Nor could we afford the continuing neglect of our domestic needs. This resolution sets priorities in the domestic budget, directing us to meet pressing public needs in the areas of education, homelessness, and the environment to name a few.

EDUCATION

This budget begins rebuilding the competitiveness of our nation. There is no better place to start than with our nation's children. In several cities, the dropout rate exceeds the graduation rate. When our students are tested in math and the sciences against students from other industrialized nations, our students come in dead last. This budget allows some important increases in Federal spending for education, providing almost $5 billion for education. I continue to support increased funding for the proven quality programs receiving enhancements in this resolution, like Head Start, Compensatory Education and Education of the Handicapped so that they can serve the eligible population as intended.

HOMELESSNESS

This budget also takes an important step toward addressing the homelessness problem in America that is reaching disgraceful proportions. It is estimated that currently up to 4 million people in America are homeless. In the last 2 years, the number of families seeking emergency shelter has increased 31 percent and the cost of renting a one-bedroom unit is beyond the reach of at least one-third of renter households in every single State. Within overall budget constraints, this plan envisions a greater commitment to housing than the President includes in his budget. I am particularly pleased that the resolution includes a $300 million initiative for rural housing. The resolution also envisions full funding for the McKinney Act and a $3 billion increase for housing. These initiatives are absolutely essential if we are to begin to address this critical national need.

AGRICULTURE

I am pleased that the fiscal year 1991 Budget Resolution provides negotiating room for the 1990 Farm Bill. This is a critical year for American agriculture—not just because weather conditions point to a third year of drought in many areas of the country, but also, because, in 1990, farm policy will be determined for the next 5 years. In my view it is very important for the funding level provided by the budget resolution to accommodate what the authorizing committee will do on policy.

Our agricultural industry is very efficient and tremendously important to the U.S. economy. Americans spend a lower percentage of their consumer dollar for food than consumers in any other country. However, efficiency has not meant wealth or security to our farmers. It is a myth that agriculture has recovered from the farm recession, yet we have cut farm program supports by 25 percent in real dollars since 1985 and cut farm program spending by over 60 percent.

Moreover, this nation is in a trade war in agriculture. Japan subsidizes heavily and limits imports. Europe is moving rapidly toward self-sufficiency. In fact, the European Community has transformed itself from a major importer of grains, oilseeds, and sugar to one of the world's largest exporters of food. We have not only lost a major market but now face subsidized competition.

At this critical stage of the GATT negotiations, further cuts in the farm budget would send a signal to the EC that we will not stay the course of supporting agriculture. Now is the time to be tough in agricultural trade talks, and I believe that this resolution makes that possible.

I am also pleased that baseline funding has been retained for FmHA direct farm operating and farm ownership loans. The shift in funding from direct to guaranteed loans authorized in the 1985 farm bill has gone much too far, resulting in an imbalance between funding and demand. In 1989, only about one-third of FmHA's loan guarantee authority was used, while all direct loan funds were used, and more was needed. If interest rates remain high, profit margins in agriculture will remain limited; and continued drought conditions will maintain a strong demand for direct FmHA loans in fiscal year 1991. While budget constraints do not allow FmHA to make loans to all those who need them, I believe that CBO baseline funding, at a minimum, is essential.

SUMMARY

The Federal deficit is the major economic problem confronting us. The economic and competitive future of this country will be bright once this problem is solved. The budget resolution expresses our commitment to get on with this job and begin to lay the foundation for growth and I am pleased to support it.

KENT CONRAD.

ADDITIONAL VIEWS OF MR. DODD

I support the Fiscal Year 1991 Budget Resolution as reported by the Senate Budget Committee, but I do so with some reservations.

The resolution, while far from perfect, enables the Congress to achieve meaningful and real deficit reduction. The $43 billion of reconciled and appropriated savings which would be achieved if the resolution is implemented exceeds by $6 billion the amount necessary to meet the $64 billion target under the Gramm-Rudman-Hollings law using the latest economic assumptions of the Office of Management and Budget.

The $43 billion of savings would lead to a balanced unified budget by 1995 using the more realistic economic assumptions of the Congressional Budget Office. The CBO deficit excluding social security surpluses would decline from $224 billion in 1990 to $111 billion in 1995.

Most importantly, within the $43 billion savings total, there are no gimmicks, asset sales, timing adjustments or movements of accounts on or off budget.

I also am pleased that the resolution provides for a domestic discretionary spending increase of $2 billion above the 1990 level which will allow us to fund several important programs affecting children and families which have been sadly neglected and underfunded for far too long.

While I support this budget proposal, I do have some concerns about the extent and the allocation of the reduction in defense spending that is mandated by the resolution. Our defense spending ought to be driven by our national security needs and not by some preconceived idea about a peace dividend. For example, I certainly would not like to see drastic cuts in crucial procurement and research and development programs. Given the new strategic environment in Europe, I think we can afford substantial manpower reductions that would not endanger stability in that theater. While there are weapons systems that we can do without, for the time being I see a strong necessity to maintain our lead in technology and hardware.

Considering the many competing priorities facing this country, I commend Chairman Sasser and the Budget Committee for crafting a well-balanced budget. I urge our Republican colleagues and the President to join us in support of this resolution so that we can get to work on the agenda of the 1990's.

CHRISTOPHER J. DODD.

MINORITY VIEWS OF MR. DOMENICI

I voted not to report this budget resolution. I voted not to report it because this resolution cannot be implemented.

Earlier this year, the majority on this Committee complained that the President's budget "postures for public advantage" and "replaces small gimmicks with larger gimmicks."

If that were true of the President's budget, the majority has produced in this budget resolution a framework containing even more posturing with even larger gimmicks. This resolution purports to reduce the deficit by $54.1 billion next year, producing a deficit of $47.5 billion! Not likely.

Nevertheless, I congratulate the Chairman on producing a budget resolution, any budget resolution. It keeps the process from totally collapsing.

Further, if this budget could be implemented, it would indeed be a bold one, producing real deficit reduction next year of about $40 billion. That would be a remarkable accomplishment, compared with our recent track record.

But that will not occur under this resolution.

The resolution reduces defense outlays by $13 billion and budget authority by $35 billion, a $25.6 billion cut in budget authority from the President's request. The Congress will not cut defense by $35 billion next year, $26 billion deeper than proposed by the President, unless nondefense expenditures are constrained also.

What's more, this resolution gives the Senate absolutely no direction on how that cut would be distributed among various defense activities: personnel costs, operations, procurement, research, and atomic energy cleanup activities.

Next, the majority's resolution reduces domestic discretionary spending by $3.6 billion; compared to the President's proposed $0.2 billion decrease in discretionary spending. The President proposed expansions in education, environment, science, research, and health programs.

What happens to funding for education, Headstart, National Science Foundation, and other programs the President and the Congress have placed on a priority list for funding increases?

The nondefense discretionary number cannot be met unless the Congress is willing to terminate some programs. Clearly this budget encourages no such hard choices.

What is more likely is that the domestic funding will be scavenged from greater defense reductions. The fact that this budget resolution fails to separate defense and nondefense discretionary spending in its allocations to the Appropriations Committee, encourages further defense spending reductions to pick up the slack in domestic initiatives—reductions we know will not occur.

Further, over $5 billion of the domestic discretionary reductions are not even allocated among the budget functions. Instead, they are hidden in a black box as "unspecified offsetting receipts."

The resolution also includes minimal assumptions on reducing entitlement spending program growth—$5.7 billion in 1991. Medicare savings for 1991 do not exceed what would occur if a sequester were required under the Gramm-Rudman-Hollings law this fall. U.S. agriculture spending is exempt from any budgetary constraint, at a time when central government subsidies world-wide are being reduced to promote fair and improved agricultural trade, and when U.S. agriculture subsidies are projected by the CBO to increase $3.1 billion (42 percent) next year.

By contrast, the President's budget proposed 5-year reconciled entitlement spending constraint at over $96 billion more than the committee-reported resolution.

The majority's budget contains user-charge "savings" of $6.2 billion, about double the President's real user-charge savings of about $3.3 billion, as computed by CBO. Where will these come from? The resolution provides no direction.

The same problem exists with other revenues. The President proposed $13.9 billion in additional revenues, which CBO says, in reality, would yield $9.4 billion. Recognizing this shortfall resolution language calls for the President to propose new sources of revenues. This resolution, proposes revenues and receipts of $164 billion over the next 5 years, compared to the President's request of $43.5 billion over the same time period.

Included in the resolution are $10.0 billion of collections for unpaid taxes. These assumed collections of unpaid taxes are not reconciled against any committee, and by all expert testimony, including the views of its proponents, highly unlikely to be achieved.

For all these reasons, it is clear that this budget is a blueprint for something that will never be put together.

I believe the President and the leadership of the Congress must sit down and seriously design a plan that is real and implementable. If the burden of deficit reduction is shared equally across all sectors, then real deficit reduction of the magnitude outlined in this resolution, could be implemented and achieved.

With fewer than 50 working days before the beginning of the new fiscal year, time is running out.

In such a summit, all aspects of Federal fiscal policy must be on the nogotiating table.

Pension policy and health policy needs to be fundamentally reformed to conform to the new demographics of our nation.

Defense spending will, or course, decline, but it must decline as part of a long-range plan that will meet the unexpected challenges we will face in the next 20 years.

When the summit is completed, we will need to eliminate scores of Federal programs, reassigning savings to both deficit reduction and increases in more fundamental programs.

And we certainly need to produce a new realistic budget process.

We cannot assume that America in the 21st century will have the luxury of indulging in the same partisan politics, that have characterized the past 30 years. Global competition grows more unforgiving every year. We enjoy every advantage necessary to prosper except the advantage necessary of hard-nosed fiscal policy. A multi-year budget agreement, now and not later, could give us that last advantage.

PETE V. DOMENICI.

MINORITY VIEWS OF MR. BOSCHWITZ

I was most disappointed with the budget resolution reported by the Committee. The policies implicit in this resolution are not responsible. Resultingly they cannot be enacted into law. Indeed it is likely that many members of the majority will not vote for the changes required by this budget.

The truth is the budget process is in a period of declining relevance and this budget accelerates that decline. Clearly some majority members voted for this lackluster effort simply to bring the proceedings to an end.

I have 3 main reservations about this resolution: (1) its huge reductions in the defense budget are made prior to negotiated disarmament treaties that could lead to true, larger and safe reductions; (2) it does not suggest how to reach the savings recommended for nondefense discretionary programs and has a "Black Box" that can't even be termed "smoke and mirrors" but can only be fairly regarded as hocus pocus; and (3) its assumptions for revenue increases are ridiculously high, and at best the "Fairshare" concept can be charitably called unrealistic. Worst of all, perhaps, is the total lack of effort to use the budget to stimulate growth, savings, research and development. No effort was made to use the budget as a constructive economic tool.

Defense Cuts:

This resolution recommends a $13 billion outlay and over $30 billion budget authority reduction in defense from the CBO baseline for fiscal year 1991. This is a much larger cut than recommended by the President. It is larger than that recommended by the chairman of the Senate Armed Services Committee. It is even larger than the House of Representatives suggests.

Therefore, because I applaud the "march of freedom" around the world and believe that (among other factors) it is a direct result of American military and political strength here and abroad and that the world is indeed a safer place. I am concerned by this resolution's effort to rush headlong into a premature build-down before security arrangements in Europe are made more certain, and before we have seen a significant reduction in many important elements of Soviet capabilities. Budget authority reductions of 10 percent in one year are simply irresponsible. The defense effort, if it is to be "built down", must be done with planning and deliberation and over a long period of time. The opportunity to do this in an orderly long term manner is undermined by this budget's headlong rush into defense reductions. Reductions in defense spending must be an exercise in prudence. This budget certainly does not meet those standards.

I am also troubled by the Committee's unwillingness to meet the President's challenge to increase spending on international affairs above the baseline. A changing world needs our help particularly in view of the upcoming military build-down. To preserve stability; to refocus on environmental and population control needs; to substitute for our own declining military presence, function 150 must be meaningfully built over the next 5 years.

I also believe in bringing some "common sense" to the budget process. Members of Congress are still using the practice of making inconsistent references to the current services baseline at some points and to prior year nominal spending at others to distort how much is spent or saved under various proposals. Even in the materials furnished by the majority at markup, the majority's defense cuts were minimized by comparing them with last year's nominal spending, while in the very next paragraph, the President's proposed budget for entitlements and mandatory programs was compared to the ever-increasing CBO baseline—showing a "cut" for best political effect. I have introduced legislation that would curb this practice and I urge its swift enactment.

Non Defense Discretionary Programs and Entitlements

These two budgetary groups comprise 60 percent of the budget. In the next 5 years, total budgetary outlays will be in the neighborhood of 6,800 billions. 60 percent of that is over 4,000 billons. The budget passed by the majority reduces these two budgetary groups *over 5 years* by less than a single billion. Indeed if offsets are not included, spending rises above the baseline. Senatorial courtesy prevents me from properly characterizing this immense effort in budgetary discipline.

All of which leads to the conclusion that the majority seeks budgetary balance by reducing military spending and increasing taxes and letting the rest of government go scot-free.

I certainly am not going to join that kind of nonsense.

RUDY BOSCHWITZ.

MINORITY VIEWS OF MR. RUDMAN

I voted against the budget resolution reported by the Budget Committee because it is not in accord with my priorities for a fiscal blueprint, and because, in spite of its claims, it includes its share of gimmickry. I would note, however, that it is approaching the kind of package I could support. The Committee-reported resolution is, in my view, superior to the resolution passed by the House of Representatives and has elements that make it more attractive than the President's budget proposal.

Excluding the "Fair Share" revenues which are not reconciled, the plan assumes savings of $43 billion. In terms of overall savings, this is an improvement over the deficit reduction package proposed by the President and the plan passed by the House. Everyone acknowledges that the economic assumptions projected by the administration in January are no longer valid, driving up the baseline deficit and the amount of deficit reduction we need to achieve to comply with the law. I would like to see us enact a deficit reduction package totalling around $50 billion, although I know all too well how difficult the numbers are.

The budget resolution assumes a defense cut of $30 billion in budget authority and $13 billion in outlays. While this is less drastic than some proposals presented to the Budget Committee, the reduction is still too great. It should be noted that the proposed budget authority cut of nearly 10 percent would actually force reductions much greater than that because of the transitional, one-time costs which accompany decisions to terminate production lines, close military bases, and deactivate units.

There have been great changes in the world in the last year, and we can afford a corresponding change in our defense posture. However, the dramatic improvements we have seen in the Soviet Union and Eastern Europe are still tentative, and we must proceed with caution. President Bush proposed cuts of $21 billion in budget authority and $3.2 billion in outlays. Greater savings than that can be achieved provided Congress is willing to make some tough decisions to terminate lower priority procurement and close bases. The defense savings envisioned by our colleague, Senator Nunn—that is, $8.9 billion in outlays—strike me as reasonable.

The Committee's resolution assumes nondefense discretionary savings of $3.6 billion in outlays. This in itself is a workable mark which I support. However, these savings are presented in an irresponsible manner which misleads the public. The spending totals in the individual budget functions propose net increases in discretionary spending of $1.9 billion in outlays. It then includes, in the offsetting receipts function, an unspecified $5.5 billion reduction to be applied as the Appropriations Committee see fit. If the committee, on which I also serve, applies this unspecified cut across-the-board, it would be a 5-percent reduction in all programs. Obviously, the Appropriations Committee will be unable to accommodate the spending levels that people around the country are being promised for the programs they support. To hold out hopes to our constituents which obviously cannot be met is irresponsible, and represents the kind of shiftiness that helps produce the low public perception of this institution.

I am remided of all the criticism President Bush received from Democrates because of his unspecified nondefense discretionary cuts in 1989 and the $2 billion in unspecified agriculture savings proposed this year. Yet here the black box reappears in an equally or more pernicious manner.

In the case of entitlements, the mark assumes $5.6 billion in savings. In my view we should strive for savings closer to the $10 billion proposed by the President. That agriculture programs have been excluded from budget scrutiny is of particular concern. A serious, successful attack on the budget deficit will require contributions from all areas of government, and I am opposed to any exemption for farm programs. More generally, entitlements and other mandatory spending comprise nearly 50 percent of total Federal outlays. If we cannot make headway here, we cannot make headway, period. The $5.6 billion proposed by the Budget Committee is inadequate.

With respect to taxes, I am not one who believes that taxes is a four-letter word. Considerable revenue can be raised from a variety of justifiable excise taxes. The above notwithstanding, no deficit reduction package should rely exclusively, or primarily, on tax increases and defense cuts. I would support certain revenue-raising measures as part of a balanced deficit reduction package where all components of the budget contribute to the savings.

I also take exception to the "Alice in Wonderland" nature of the budget debate betweeen the administration and congressional Democrats over the last 15 months. OMB uses obvious budget gimmicks to make the deficit in their proposed budgets look smaller, and the Democrats (deservedly) criticize that. The Democrats use the same gimmicks, maybe add a few, and OMB reacts with outrage. Economic assumptions which are on their face not valid are used by both sides. Both sides tell the public they are really doing something about the deficit when it is not true and, in the mutual recriminations, little gets done. The public is left with the erroneous perception that deficit reduction can be painless and does not understand why the problem is not solved, and we wonder why there is such cynicism about government.

The truth is that cutting the Federal budget deficit will involve some tough decisions and will hurt some people in the short run. However, it is something that has to be done because it is immoral to saddle our children and grandchildren with these debts and because the future of our nation's economy and the welfare of all Americans depend on it.

In this regard, I am pleased to see that negotiations between the administration and Congress are beginning. I truly believe that given the enormity of the task before us, and the politically charged atmosphere we are operating in, a meaningful deficit reduction package can only be achieved in a bipartisan context.

However, bipartisanship does not ensure deficit reduction. It was a bipartisan deal on the fiscal year 1986 budget resolution between the last administration and House Democrats to not worry about the deficit which led to Senate passage and the enactment of the Gramm-Rudman-Hollings law. I will not support a bipartisan agreement which fails to achieve meaningful deficit reduction. No matter how controversial, I will support a balanced and strong bipartisan package. Moreover, because I believe the deficit problem is so serious and must be addressed, I could easily support a meaningful deficit reduction proposal which is not bipartisan even if it does not match my fiscal priorities perfectly.

WARREN RUDMAN.

MINORITY VIEWS OF MR. GRAMM

Fundamentally, a budget resolution amounts to much more than mere numbers. The budget resolution is the document in which Congress sets out the relationship between the government and the people. It is where we choose the kind of America we want.

In this resolution, the Senate Budget Committee chooses a vision for America that has consistently been rejected by the American voter, a vision that has been rejected by the people of Eastern Europe and the Soviet Union, and a vision that should be and I hope will be rejected by the United States Senate.

Instead of promoting limitless economic opportunity, this budget promotes unlimited government. Instead of offering more incentives to work, save and invest, this budget imposes more taxes on Americans who work, save and invest.

Under the Senate plan, Americans will pay $95 billion more in taxes than they did last year. Further, another $5.8 billion in "unspecified receipts" are required under this resolution, pushing the total increase to over $100 billion. According to the CBO, the Senate budget plan will push taxes as a percent of GNP above 20.1 percent—the greatest tax burden since the height of World War II.

At the same time, defense will take a massive cut—some $21 billion below the President's request. As a percent of the economy, defense spending will be tied for the third lowest level since World War II.

It is this combination of record high taxes and near-record low defense spending that is both unprecedented and dangerous. Historically, America has relied on high taxes during times of war, not during times of peace. Further, America has usually seen lower defense spending matched by lower taxes. That will not be the case under the Senate Budget Committee plan.

This plan is dangerous because it invests the defense savings in more government rather than stronger families. And even as it increases government spending, this budget plan damages our investment in the future by reducing spending below the President's request for science, space and technology. Only by returning money to American families to invest in their futures—and thus America's future—can the United States assure that the peace dividend will be invested wisely. Thus, Senate Budget Committee plan embodies the dangerous decision to invest in the next election rather than the next generation, and America will be poorer because of it.

PHIL GRAMM.

MINORITY VIEWS OF MESSRS. BOND AND BOSCHWITZ

Occasionally we come across a document which tells a story so well that it needs little embellishment. This is certainly the case with the summary of the Committee-reported budget resolution prepared by the minority staff of the Senate Budget Committee.

Senator Domenici's staff, as well as the Senator himself, have done everything possible to illuminate, educate, and inform us of what is actually in this budget resolution. We believe that their fine work deserves as wide an airing as possible. Therefore, we ask that it be included as separate view in the Committee report.

Christopher S. Bond.
Rudy Boschwitz.

SUMMARY OF COMMITTEE-REPORTED BUDGET RESOLUTION FOR 1991

"It is much easier to be
critical than to be correct."

Benjamin Disraeli
January 24, 1860

On the release of President Bush's 1991 Budget, the Democratic majority of the Senate Budget Committee stated on January 29, "it postures for public advantage in what may be another prolonged and paralyzing budgetary debate...finally, this budget replaces the small gimmicks with larger gimmicks."

The Senate Budget Committee ordered reported its budget resolution for 1991 on May 2. The committee-reported budget resolution postures for public advantage, assumes all the "larger gimmicks" of the President's budget and even more in its "Fair Share" initiative, and includes its own black box of unspecified domestic discretionary cuts.

The committee-reported resolution does not move the Congress and the Administration toward resolving fiscal gridlock. Rather the legislative calendar tells us that time is shorter by five months for resolving the 1991 budget compared to when the President submitted his budget plan.

SUMMARY OF RESOLUTION

On April 24, the Senate Budget Committee began markup of a budget resolution for Fiscal Year 1991. Following rejection by the committee of deficit reduction packages for Fiscal Year totalling $56 billion, $52 billion, $50 billion and $43 billion, Chairman Sasser on May 2 proposed a Chairman's Mark which was adopted by the Committee on a 14-9 vote.

The committee-reported resolution claims to reduce the deficit by $54.4 billion, compared to the CBO baseline. Included in the resolution are $11.1 billion of collections for unpaid taxes. These assumed collections of unpaid taxes are not reconciled against any committee, and by all expert testimony, highly unlikely to be achieved.

Like the House-passed resolution, the committee-reported resolution covers five budget years, including reconciliation instructions to 10 Senate committees (the Agriculture Committee is notably absent from the list of reconciled committees).

The resolution claims to meet the Gramm-Rudman deficit targets by assuming the Administration's January 1990 economic and technical assumptions, which are, by the Administration's own testimony, outdated. The committee-reported resolution claims a 1991 deficit of $47.5 billion, $16.5 billion lower than the statutory Gramm-Rudman target of $64 billion.

During consideration of the reported resolution, Chairman Sasser remarked that there are no specific policy assumptions behind the numbers in the resolution. The implementation of the resolution would be left to the appropriate committees of jurisdiction. Indeed the resolution calls on the President himself to propose specific revenue sources that would raise $4.7 billion in 1991.

Nonetheless, based on the functional numbers and reconciliation instructions in the committee-reported resolution, when compared to the President's request, analysts can determine the probable programmatic assumptions underlying the resolution.

The tables following this section summarize the major components of the committee-reported resolution. The resolution reduces the 1991 deficit by $54.1 billion, $451.6 billion over the next five years. Almost one-half of the five-year deficit reduction ($214 billion) is achieved through constraints on the defense budget. Thirty-six percent of the deficit reduction ($164 billion) is achieved from increased revenues or receipts that the tax committees are directed to raise.

IMPLEMENTING THE RESOLUTION

The committee-reported resolution can only be considered as a negotiating document, not as an implementable budget. Without the agreement of the President and the joint leadership of Congress, individual elements of this resolution stand no chance of enactment. For example:

- The resolution reconciles the Finance Committee with $13.9 billion in revenues and $5.8 billion in additional unspecified receipts. Further, the resolution assumes $11.1 billion in higher tax collections for a total of $31 billion in new revenues in 1991.

- The resolution assumes that over $164 billion in revenues and receipts will be raised over the next five years, compared to the President's request of $43.5 billion over the same time period.

- Defense outlays would be cut by $13 billion from the CBO baseline (this is $10 billion more than proposed by the President). Budget authority for defense would be cut by over $30 billion from the baseline, a 10 percent reduction.

- Domestic discretionary spending is cut by $3.6 billion from the baseline, a significant reduction from the $0.2 billion cut in the President's budget. The committee-reported resolution does not suggest how to reach these savings. Such cuts could never be enacted without seriously jeopardizing Administration initiatives for science, education, environment and justice assistance programs.

- Indeed, over $5 billion of the domestic discretionary reductions are not even allocated among the budget functions. Instead, they are hidden in a black box as unspecified offsetting receipts.

- The resolution does not prevent the Appropriations Committee from cutting the defense budget even further to lessen the size of the domestic discretionary cuts.

- The resolution includes minimal assumptions on reducing entitlement spending program growth -- $5.7 billion in 1991. Medicare savings for 1991 do not exceed what would occur if a sequester were required under the Gramm-Rudman law this fall. United States agriculture spending is exempt from any budgetary constraint, at a time when central government subsidies world-wide are being reduced to promote fair and improved agricultural trade.

- The President's budget proposed 5-year reconciled entitlement spending constraint at over $96 billion more than the committee-reported resolution.

COMPARISON OF BUDGET PROPOSALS

	FY 1991			FY 1991-95		
	President	Senate Reported	House Passed	President	Senate Reported	House Passed
CBO ALTERNATIVE BASELINE DEFICIT	-160.1	-160.1	-160.1	-645.3	-645.3	-645.3
SPENDING:						
DEFENSE	-3.2	-13.0	-11.5	-88.9	-214.2	-250.7
NONDEFENSE DISCRETIONARY	-0.2	-3.6	3.7	-21.3	41.6	71.8
ENTITLEMENT AND MANDATORY 1/	-12.0	-4.3	-0.4	-100.1	-44.8	-0.4
USER FEES	-3.2	-6.0	-2.5	-18.8	-28.8	-8.0
ASSET SALES 2/	-0.3	---	-5.3	-7.9	---	-8.5
TOTAL SPENDING	-18.9	-26.9	-16.0	-237.2	-246.2	-195.8
REVENUES	-9.4	-15.3	-19.3	-16.8	-96.8	-98.2
NET INTEREST	-1.1	-2.0	-1.4	-40.0	-71.4	-53.9
SUBTOTAL DEFICIT REDUCTION	-29.4	-44.1	-36.7	-294.0	-414.4	-347.9
"FAIR SHARE" REVENUES	---	-10.0	---	---	-38.0	---
PLAN DEFICIT	-130.7	-106.0	-123.4	-351.3	-192.9	-297.4

NOTE: DOLLARS IN BILLIONS. BASED ON CBO ESTIMATES. DETAILS MAY NOT ADD TO TOTALS DUE TO ROUNDING.

1/ INCLUDES OFFSETS.

2/ INCLUDES "OTHER SAVINGS & ADJUSTMENTS" FOR HOUSE BUDGET. ADJUSTMENT FOR IRS REVENUES INCLUDED IN "REVENUES" BELOW.

FUNCTION 050 -- NATIONAL DEFENSE

Relative to the CBO baseline, the committee-reported resolution would reduce defense BA by $30 billion and outlays by $13 billion in 1991. This would cut defense by $21 billion in BA and $10 billion in outlays from the President's request. In the outyears, defense BA would be frozen at the 1991 level of $285 billion. Over the 1991-95 period, compared to the baseline, this freeze would reduce BA by $283 billion and outlays by $214 billion. This represents a cut of $157 billion in BA and $125 billion in outlays from the President's request.

The committee-reported resolution would reduce defense spending from its current 5.2 percent of GNP to 3.8 percent by 1995, the lowest level since 1948. The President, on the other hand, would reduce defense spending to 4.2 percent of GNP by 1995.

Under the committee-reported resolution military personnel reductions in 1991 could total 140,000 -- 100,000 more than the President's request. Force structure reductions for 1991 could include 3 active divisions (one more than the President), 4 tactical fighter wings, and 22 ships -- including one carrier battle group (17 ships and one carrier battle group more than the President). This rate of reduction could

ESTIMATED DISTRIBUTION OF 1991 DEFENSE REDUCTIONS IN SBC-RPTED RES.
($ billions)

	SBC-RPTED		SBC-RPTED COMPARED TO			
			CBO		PRESIDENT	
	BA	OT	BA	OT	BA	OT
DEPARTMENT OF DEFENSE:						
Military personnel..........	78.7	77.9	-3.0	-3.4	-0.4	-0.9
Operations and maintenance..	85.0	84.2	-6.1	-5.1	-5.1	-4.1
Procurement.................	69.5	78.6	-16.3	-2.1	-8.3	-1.2
RDT&E.......................	33.6	34.9	-4.7	-2.4	-4.3	-2.1
Military construction.......	4.2	5.1	-1.3	-0.3	-1.4	-0.4
Family housing..............	3.3	3.3	-0.1	-0.1	-0.2	-0.1
Revolving funds, allowances and trust funds...........	0.9	-0.3	1.5	0.6	-0.2	0.1
ATOMIC ENERGY DEFENSE ACTIVITIES...................	9.8	9.6	-0.3	-0.2	-1.2	-0.8
DEFENSE-RELATED ACTIVITIES....	0.6	0.6	0.0	0.0	-0.2	-0.1
FUNCTION 050 TOTAL............	285.6	293.9	-30.2	-13.0	-21.3	- 9.8

result in a 1995 force structure of 1.5 million, a 30 percent reduction from current levels. Such a force structure could mean the elimination of 8 active and 3 reserve divisions, 10 active and 5 reserve fighter wings, and 100 ships, including 4 carrier battle groups.

The committee budget would cut DOE's defense activities by $1.2 billion, or 12 percent, seriously jeopardizing the Administration's efforts to clean up defense nuclear facilities.

The Black Box

The committee-reported resolution purports to offer significant increases in non-defense discretionary programs such as education, transportation, and housing. At the same time, the resolution cuts overall spending for nondefense discretionary by $3.6 billion from the CBO baseline.

The reported resolution does not spell out how to achieve any reductions. Instead, it categorizes $5.5 billion in nondefense discretionary savings as undistributed offsetting receipts. This is bait and switch budgeting with only the good news detailed and the cuts left unaddressed.

In fact, if the $5.5 billion in unallocated cuts were made across-the-board on nondefense discretionary programs, the effect would reduce every program by 5.0 percent.

The President's budget, by comparison, only reduces nondefense discretionary spending by $0.2 billion. Further, the President detailed all of his proposed cuts in addition to his initiatives.

FUNCTION 150 -- INTERNATIONAL AFFAIRS

The committee-reported resolution includes a full adjustment for inflation for all discretionary international programs. Within the overall total, a technical change in the assumption for the Export-Import Bank takes into account recent action to activate an interest-rate subsidy program.

Compared with the President's original request for 1991, the committee-reported budget is lower by $1.2 billion in BA and $0.9 billion in outlays. Subsequent budget amendments and supplemental requests for Panama and Nicaragua have added another $0.2 billion in BA and $0.3 billion in outlays to the President's budget.

Among the Administration initiatives that could be precluded under the Committee-reported budget are construction of a new embassy chancery in Moscow, and payment of more than $0.4 billion in United Nations and OAS arrears. The Committee specifically anticipates full funding of the President's request for Israel and Egypt.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 250 -- GENERAL SCIENCE, SPACE AND TECHNOLOGY

Science and space programs would be cut $1.3 billion in BA and $0.7 billion in outlays from the President's budget in 1991. Funding would still increase over the CBO baseline of $1.4 billion in BA (9 percent) and $0.8 billion in outlays.

To reach the resolution totals, there would likely be cuts across-the-board on Function 250 programs. Real growth in the National Science Foundation budget would be limited to about 5 percent -- a $100 million cut from the 10 percent real growth in the President's budget. The Superconducting Super Collider (SSC) would either be cancelled (saving $0.2 billion in BA) or frozen to allow further R&D.

For NASA programs, this budget would require a sharp cutback in the $0.7 billion increase earmarked for the space station. The budget would also likely force the cancellation of the moon/Mars human exploration initiative (saving $0.2 billion in BA) and a space science start (saving $0.2 billion in BA).

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 270 -- ENERGY

The committee-reported resolution would cut energy programs by $300 million in BA and $400 million in outlays in 1991. While specifics are unavailable, past Democratic plans have proposed to reduce funding for the clean coal program, the strategic petroleum reserve, and to increase Nuclear Regulatory Commission (NRC) fees.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 300 -- NATURAL RESOURCES AND ENVIRONMENT

The committee-reported resolution reduces BA by $0.3 billion and outlays by $0.2 billion as compared to the 1991 baseline.

While the resolution increases BA by $0.1 billion when compared to the President's budget proposals, it reduces outlays by $0.2 billion. The President's budget has been severely criticized for providing inadequate funds for the environment and for the protection of public lands. However, the reported resolution provides even less funding for these programs, such as the Environmental Protection Agency's (EPA) budget and global climate change research, than the President proposed for 1991.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 350 -- AGRICULTURE

The committee-reported resolution rejects the President's proposals for agriculture and related programs. Agriculture outlays under the resolution would be $2.1 billion greater than that proposed by the President for 1991, while the plan provides for $27.3 billion in outlays above the President's request for the years 1991 through 1995. There is little change relative to the CBO baseline.

The committee-reported resolution would not reconcile spending for programs within the jurisdiction of the Agriculture Committees; thus, no changes to agricultural programs are assumed.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 370 -- COMMERCE AND HOUSING CREDIT

The committee-reported budget resolution assumes cuts of $200 million in BA and $600 million in outlays below the CBO alternative baseline for 1991. The committee-reported plan assumes increases above the President's budget of $1.1 billion in BA and $700 million in outlays for 1991.

The reduction in outlays may partially be explained by a $112 million cut in the Postal Service's revenue forgone appropriation, $352 million from FHA reforms, $50 million in SBA fee increases, and $15 million in Commerce Department fees.

These Presidential proposals total $529 million in 1991 which can partially explain the $600 million in outlay savings assumed in the committee-reported budget resolution.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 400 -- TRANSPORTATION

For transportation programs, the committee-reported resolution would add to the President's budget $2.0 billion in BA and $1.7 billion in outlays. This represents an increase above the baseline of $1.0 billion in BA and $0.6 billion in outlays.

Most of the $2.0 billion BA increase is due to the restoration of two programs terminated in the President's budget: $0.6 billion for AMTRAK and $0.5 billion for transit operating assistance to large cities. This resolution could also provide some additional highway and transit capital funds which were assumed to be reduced in the President's budget. Both this resolution and the President's budget provide increases above the baseline for aviation and Coast Guard programs. The committee-reported budget also provides additional funds for the oil spill legislation currently in conference. Commerce-Science-Transportation Committee reconciliation probably assumes at least $100 million in Coast Guard user fees.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board to discretionary programs in this function.

FUNCTION 450 -- COMMUNITY AND REGIONAL DEVELOPMENT

The committee-reported budget resolution assumes a $400 million increase in BA and a $100 decrease in outlays compared to the CBO alternative baseline for 1991. The committee-reported plan assumes increases above the President's budget of $1.4 billion in BA and $200 million in outlays for 1991.

The reduction in outlays may partially be explained by a $43 million increase in premium income from the National Flood Insurance program.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 500 -- EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

The committee-reported resolution calls for $47.5 billion in BA and $42.4 billion in outlays in 1991 for this function. This is above the CBO baseline by $4.7 billion in BA and $1.2 billion in outlays and above the President's request by $4.6 billion in BA and $1.5 billion in outlays. Over five years, Function 500 outlays grow by $20.3 billion above the CBO baseline and by $20.9 billion over the President's request.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs, including any initiatives, in this function.

FUNCTION 550 -- HEALTH

Savings from baseline ($0.5 billion in outlays) appear to result primarily from increased contributions from the Postal Service to the Federal Employees Health Benefits program. The President proposed $730 million (BA and outlays) in such savings, but lesser amounts are also possible. Modest savings may also be assumed for FDA user fees. The committee-reported resolution includes nothing for Medicaid specifically.

Under the above assumptions, discretionary spending is funded just above baseline, which could require accepting some of the President's proposed reductions (e.g., nearly eliminating health professions subsidies) to fund initiatives such as minority health, or increases for HIV/AIDS, FDA expenses, and drug abuse treatment.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 570 -- MEDICARE

The committee-reported resolution reduces spending growth in Medicare by $2.0 billion in 1991. Estimated savings from a sequester also would be $2.0 billion in 1991. The committee-reported resolution includes five year savings of $26.3 billion. These savings are reconciled.

About $1 billion in Medicare savings may be achieved by extending current law provisions that expire at the end of 1990. Added savings could be achieved by reducing inflation updates to providers, or otherwise reducing payments to providers.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 600 -- INCOME SECURITY

The committee-reported resolution reduces 1991 outlays $1.2 billion below the CBO baseline, while it increases 1991 BA $3.2 billion. Over five years, this resolution proposes changes which would add $4.1 billion in outlays and $17.6 billion in BA. It rejects the Administration's COLA freeze for Federal civilian and military retirees.

The following would be consistent with this plan: (1) The extension of the lump-sum provision, which produces the bulk of 1991 outlay reduction, and (2) the provision of additional funding for low-income housing assistance, which accounts for the large increase in BA in 1991 and significant outlay increases in the outyears.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 650 -- SOCIAL SECURITY

The committee-reported resolution does not provide an increase for Social Security administrative expenses.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 700 -- VETERANS BENEFITS AND SERVICES

The committee-reported resolution provides $32.1 billion in BA and $31.4 billion in outlays in 1991 for this function. This is above the CBO baseline by $0.2 billion in BA but below the baseline by $0.1 billion in outlays. This is also above the President's request by $0.3 billion in BA for 1991 and $0.1 billion in outlays. The committee-reported resolution is also above a discretionary freeze by $0.4 billion in budget authority but there is virtually no change in outlays. (Over five years, this function is cut by $0.5 billion in budget authority and outlays from the CBO baseline.)

While most discretionary programs within this function would be frozen at the 1990 levels, the resolution could maintain VA medical care and construction activities at the 1991 baseline levels and increase them by the amounts recommended in the President's budget.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 750 -- ADMINISTRATION OF JUSTICE

Compared to the President's budget, administration of justice programs would increase by $0.5 billion in both BA and outlays. Compared to the baseline, the resolution would reduce this function by $0.5 billion in BA but increase outlays by $0.4 billion. The $0.5 billion BA reduction is due to an over $1.0 billion reduction in prison construction, reflecting the one-time nature of the 1990 funding level of $1.4 billion.

When the committee-reported resolution is adjusted to reflect a change from the President's budget in a mandatory customs user fee account, the resolution is below ($0.1 to $0.2 billion) the President's budget in both BA and outlays. These small reductions would likely be spread among law enforcement, litigative, judicial, and correctional activities. Compared to the baseline, these activities would still generally receive increases over baseline levels.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board cut to discretionary programs in this function.

FUNCTION 800 -- GENERAL GOVERNMENT

The committee-reported resolution appears to be based on two assumptions in this function: 1) freeze on all discretionary programs at the 1990 level; and 2) inclusion of President's GSA budget amendment ($1.4 billion in BA and less than $50 million in outlays), which would fund construction of 22 Federal buildings. The outyear numbers are simply inflated from the 1991 base. Implicit in the resolution is the expectation that approximately 25 new Federal buildings would be constructed every year for the next five years. This proposal rejects funding the President's IRS initiative and the Legislative Branch increase.

In addition, the committee-reported resolution includes at least $5.5 billion in unallocated nondefense discretionary cuts, which would equal a 5.0 percent across-the-board to discretionary programs in this function.

FUNCTION 920 -- ALLOWANCES

The committee-reported resolution assumes the President's proposal to reduce government mail costs by $0.2 billion in BA and outlays every year.

FUNCTION 950 -- UNDISTRIBUTED OFFSETTING RECEIPTS

The committee-reported resolution includes a net of $9.9 billion in deficit reduction in 1991 in this function. This amount appears to be composed of $5.8 billion in unspecified user fees reconciled to the Finance Committee and $5.5 billion in unspecified spending reductions which would have to be crosswalked to the Appropriations Committee. The user fees reconciled to the Finance Committee are the same amount that the President included in his budget. However, since many of the President's user fee proposals were included in other functions, this amount does not necessarily assume the President's policies. In addition, $1.4 billion in pay offsets, which are reductions in intergovernmental receipts, are included in this function.

REVENUES

The committee reported resolution increases revenues by $15.3 billion in 1991, $18.9 billion in 1992, $20.5 billion in 1993, $20.8 billion in 1994, and $21.3 billion in 1995 above the CBO baseline. Of this amount, the Finance Committee in the Senate and the Ways and Means Committee in the House are instructed to increase revenues by $13.9 billion in each year 1991-1995. Small amounts of revenue increases are also reconciled to the Labor and Human Resources and Banking Committees in both the Senate and the House. The revenue totals in the committee reported resolution assume the compliance portion of Senator Conrad's "Fair Share" proposal.

Senator Sasser justified the level of revenue increase by saying that it exactly matches the level recommended in the President's budget. In fact, the committee reported resolution recommends $1.4 billion more revenues in 1991 and $55.1 more revenues over the period 1991-1995 than the President's budget. Moreover, if one were to reconcile the President's proposed $13.9 billion in revenues, $10.7 would go to the Finance Committee and $3.2 billion would go to other committees.

Revenues in Committee Reported Resolution
(Fiscal years, $ billions)

	1991	1992	1993	1994	1995
CBO Alternative Baseline	1137.0	1203.8	1276.6	1354.4	1437.5
Revenues					
Recon. to Finance Cmte.	13.9	13.9	13.9	13.9	13.9
Recon. to other cmtes.	0.2	0.3	0.4	0.4	0.5
IRS Compliance	1.1	4.7	6.2	6.5	6.9
Total change	15.3	18.9	20.5	20.8	21.3
Cmte. reported revenues	1152.3	1222.7	1297.1	1375.2	1458.8
Fair Share Amnesty	10.0	7.0	7.0	7.0	7.0
Total new revenues	25.3	25.9	27.5	27.8	28.3
Fees (contributions)	5.8	5.8	5.8	5.8	5.8
Total new receipts	31.1	31.7	33.3	33.6	34.1

FAIR SHARE

The Fair Share proposal, first offered by Senator Conrad and rejected by the Committee during markup, will be included in the report to accompany the committee reported resolution. The Fair Share proposal equals $11.1 billion in "soft" savings. It is made up of two components: compliance revenues, which amount to $1.1 billion in 1991, and revenues resulting from a tax amnesty program, which amount to $10.0 billion in 1991.

The Congressional Budget Office has stated that it will not score savings associated with any compliance effort until and unless the Appropriations Committee takes action to add funds to the IRS. The committee-reported resolution does not assume any increased funding for this purpose. Treasury, CBO and GAO agree that recent compliance programs have actually lost revenue in the first few years. It is not until the third year that a positive revenue stream is realized, and that is very small. The probability that an additional $1.1 billion in revenues can be realized in 1991 through new compliance efforts is very, very small.

The second part of the Fair Share proposal is a 6-month amnesty program which would exempt tax evaders from all criminal and civil penalties and forgive one-half of interest penalties. The $10 billion figure is based on one study which extrapolates state data from successful amnesty programs to the federal level. Many have criticized the study as weak -- state experience is neither uniformly positive nor a good predictor of success at the federal level. CBO has steered clear of trying to give a revenue estimate to this amnesty program.

The revenues from the Fair Share proposal are not reconciled and cannot be counted on to produce any "real" deficit reduction.

FEES AND CONTRIBUTIONS

The Finance and Ways and Means Committees, in addition to being reconciled for $13.9 billion in new revenues in 1991, are also reconciled for $5.8 billion in "contributions." This means that the Finance Committee will be responsible for increasing receipts to the federal government by $19.7 billion in 1991 and by $98.5 billion over 1991-1995. Note that this total does not include fees or contributions which may be reconciled to committees other than Finance or Ways and Means.

Senator Sasser justifies the number for new user fees by comparing it with the President's proposal. However, if reconciled, less than 20 percent of the President's new fees would go to the Finance Committee; the rest go to other committees.

TOTAL NEW RECEIPTS

All told, this resolution would increase taxes by $31.1 billion in 1991 -- and by 163.8 billion in new taxes over the period 1991-1995.

RECONCILIATION IN THE SENATE

The committee-reported resolution reconciles $25.5 billion of the $43 billion of savings that are claimed to be hard, scorable savings.

While this total amount of 1991 reconciled savings is equivalent to what the President proposed in his budget, the mix is much different. The President proposes that only $9.2 billion of this total, or 36 percent, consist of revenues. The committee-reported resolution relies on $19.9 billion, or 78 percent, to come from revenues and user fees that are reconciled to the Finance Committee. The House only reconciles $19.1 billion of its claimed deficit reduction savings, $13.9 billion of which is revenues.

SENATE-REPORTED BUDGET COMPARED TO PRESIDENT'S BUDGET RECONCILIATION ASSUMPTION

(Deficit reduction in $ billions)

SENATE COMMITTEE	SENATE		PRESIDENT		SENATE VS. PRES.	
	1991	Total 1991-95	1991	Total 1991-95	1991	Total 1991-95
SPENDING:						
Agriculture	---	---	-3.0	-34.1	+3.0	+34.1
Armed Services	-0.2	-1.6	-1.6	-6.9	+1.4	+5.4
Banking	-0.6	-4.0	-0.5	-5.1	-0.1	+1.1
Commerce	-0.3	-1.7	-0.6	-2.1	+0.3	+0.4
Energy	-0.2	-1.1	-(*)	-5.9	-0.2	+4.8
Environment	-0.2	-1.2	-0.3	-1.9	+0.1	+0.7
Finance	-2.0	-26.3	-5.7	-51.6	+3.7	+25.3
Foreign Relations	---	---	-(*)	-0.1	+(*)	+0.1
Governmental Affairs	-1.7	-6.0	-3.7	-26.5	+2.0	+20.5
Judiciary	---	---	-0.2	-1.1	+0.2	+1.1
Labor and Human Resources	-0.1	-0.4	-0.2	-1.9	+0.1	+1.5
Small Business	-0.1	-0.3	-0.1	-0.5	+0.1	+0.3
Veterans Affairs	-0.4	-2.3	-0.5	-2.9	+0.1	+0.6
TOTAL SPENDING	-5.7	-44.8	-16.3	-141.0	+10.6	+96.2
FEES:						
Finance	-5.8	-28.8	---	---	-5.8	-28.8
REVENUES:						
Agriculture	---	---	-(*)	-0.2	+(*)	+0.2
Banking	-0.1	-0.5	-0.1	-0.4	-(*)	-0.1
Energy	---	---	---	-0.7	---	+0.7
Environment	---	---	-(*)	-0.1	+(*)	+0.1
Finance	-13.9	-69.5	-8.9	-10.7	-5.0	-58.8
Governmental Affairs	---	---	-(*)	-0.2	+(*)	+0.2
Labor and Human Resources	-0.1	-1.3	---	---	-0.1	-1.3
TOTAL REVENUES	-14.1	-71.3	-9.2	-13.5	-4.9	-57.8
TOTAL RECONCILIATION	-25.5	-144.9	-25.5	-154.5	-0.1	9.5

NOTE: In the comparison column, a minus sign (-) indicates that the Senate-reported resolution has greater reconciliation; a plus sign (+) indicates that the President would have greater savings.

A description of the individual reconciliation instructions to Senate committees follows.

AGRICULTURE, NUTRITION AND FORESTRY

The committee-reported budget resolution does not reconcile the Senate Agriculture Committee. The President's budget proposed $3.1 billion in 1991 savings and a total of $34.4 billion for 1991-1995. The House budget resolution reconciled the Agriculture Committee for $920 million in 1991 and a total of $8.8 billion for 1991-1995. Although the committee-reported budget resolution does not require agriculture to contribute to deficit reduction, if Gramm-Rudman-Hollings targets are not met, these programs automatically would be cut by at least $0.7 billion in 1991.

ARMED SERVICES

The committee-reported budget resolution would reconcile the Armed Services Committee for $220 million in 1991 and a total of $1.6 billion over the five year period. The President's budget would reconcile this committee for $1.0 billion from leasing of the Naval Petroleum Reserve and $0.6 billion from a freeze on military retirees. The House budget resolution does not reconcile this committee.

BANKING, HOUSING AND URBAN AFFAIRS

As reported to the Senate, the budget resolution would reconcile the Banking Committee for $660 million in 1991 and a total of $4.5 billion over the five year period, a portion of which are revenues. The savings may partially be achieved by $352 million in Federal Housing Administration (FHA) reforms, $100 million in revenue from increasing the Securities Exchange Commission (SEC) stock transaction fees, and $50 million from counting premium income from the National Flood Insurance program.

The President's budget would reconcile this committee for $538 million in 1991, while the House calls for $205 million from the Banking Committee.

COMMERCE, SCIENCE AND TRANSPORTATION

The committee-reported budget resolution would reconcile this committee for $300 million in outlay savings in 1991 and a total of $1.7 billion over the five year period. The Committee could achieve these savings by increasing fees to the Coast Guard, Commerce Department, and from railroad safety inspections. Another option would be to allow the Federal Communication Commission to award non-broadcasting licenses through an auction.

The President's budget would reconcile this committee for $607 million in 1991, while the House-passed budget resolution calls for $200 million from the Senate Commerce Committee.

ENERGY AND NATURAL RESOURCES

The Energy Committee would be instructed to come up with $160 million in 1991 savings. In its deficit reduction options publication, CBO identifies the following proposals in the Energy Committee's jurisdiction: increasing grazing fees ($20 million), increasing federal water prices ($15 million), cutting the states' share of mineral and timber receipts ($180 million), or increasing recreation user fees ($150 million).

The President's budget would require this Committee to produce $8 million in 1991 savings. The House instructions to this committee assume $28 million is derived from repeal of the Tongass permanent appropriation.

ENVIRONMENT AND PUBLIC WORKS

The committee-reported resolution would reconcile this committee for $220 million in 1991 savings. This is probably assumed to be an increase in Nuclear Regulatory Commission (NRC) fees, a proposal the Senate has consistently opposed. The President's budget would reconcile this committee for $356 million and the House-passed assumes $299 million in its reconciliation instruction to this committee.

FINANCE

The committee-reported resolution would reconcile the Finance committee for a total of $21.7 billion in deficit reduction -- 85 percent of the total reconciled savings in 1991. Of this amount, $2.0 billion is outlays -- presumably Medicare savings, $13.9 billion is taxes, and $5.8 billion consists of alleged user fees that are reconciled as "contributions". Over the 5 year period, the Finance Committee would be reconciled for $26.3 billion in outlay savings (Medicare) and $98.8 billion in receipts (taxes and user fees) over the five year period.

About $1 billion in Medicare savings may be achieved by extending current law provisions that expire at the end of 1990. Added savings could be achieved by reducing inflation updates to providers, or otherwise reducing payments to providers.

The President's budget would reduce Medicare by $5.2 billion, the House would reconcile a $1.7 billion cut, and a sequester would cut Medicare by $2 billion.

The President's budget would reconcile Finance to raise $8.9 billion in revenues in 1991, and the House reconciles Ways and Means to raise $13.9 billion in revenues in 1991.

GOVERNMENTAL AFFAIRS

This committee receives the second largest reconciliation instruction, amounting to $1.7 billion in 1991. These savings probably could be achieved through a combination of the following: (1) extension of the current law provision for lump-sum retirement distributions or a possible elimination of this provision, (2) increased Postal Service contributions for retirement COLA and health benefits, and (3) reforms in the federal employee health benefits program (FEHB). The President would require this committee to produce $3.7 billion in savings and the House assumes $1 billion in retirement reform savings in its reconciliation instruction to this committee.

LABOR AND HUMAN RESOURCES

The committee-reported resolution would reconcile this committee for $180 million in 1991 and $1.7 billion over 5 years, a portion of which are revenues. These savings could be achieved by implementing penalties under OSHA, MSHA, and/or ERISA, or through FDA fees. The House does not reconcile this committee and the President's budget would require $204 million in 1991 savings.

SMALL BUSINESS

The committee-reported budget resolution reconciles the Small Business Committee for $50 million in 1991, probably assumed to be SBA fee increases. The President's budget proposed a $101 million in SBA fees and the House does not reconcile this committee.

VETERANS AFFAIRS

The committee-reported resolution assumes reconciled savings of $380 million in both BA and outlays for this committee. The President's budget would reconcile this committee for $467 million in outlays.

The President's proposals include limiting compensation payments made to veterans with no dependents ($150 million in BA and $138 million in outlay savings), authorizing the recovery of cost of medical care from third party insurers for the treatment of non-service-connected disabilities of insured service-connected-disabled veterans ($88 million in BA and outlay savings), and revisions to current DVA housing "no-bid" formula used to calculate the cost of acquiring foreclosed properties ($112 million in BA and outlays savings).

The House budget resolution would reconcile the Veterans Committee for $220 million in BA and outlays.

MISCELLANEOUS PROVISIONS

Section 5 of the committee-reported resolution displays the budget according to the categories in Senator Sanford's budget process reform legislation, S. 101, even though the Budget Committee, the Governmental Affairs Committee and the full Senate have not yet considered or approved this legislation.

Section 9 of the committee-reported resolution provides a reserve fund that would allow the Finance Committee to increase any and all entitlement spending without limit, as long as it is offset with tax increases. This section undermines the primary purposes of a budget resolution, that is to set fiscal policy through overall spending and revenue levels. In the past, reserve funds have been narrowly drawn for specific programs.

Section 10 of the committee-reported resolution states that CBO reduced the Administration's estimate of new revenue proposals in the President's budget by $4.7 billion (the actual difference is $4.5 billion). The language calls for the President to propose an additional $4.7 billion in revenues to make up this difference. If the President proposes an additional $4.7 billion in revenues, the tax-writing committees' reconciliation instructions would increase by that amount. The language confirms that revenue increases can only be implemented if endorsed by the President.

SENATE-REPORTED BUDGET RESOLUTION FOR 1991
($ Billions)

FUNCTION	1991 BA	1991 OT	1992 BA	1992 OT	1993 BA	1993 OT	1994 BA	1994 OT	1995 BA	1995 OT
050 Defense	285.6	293.9	285.4	289.9	285.4	285.1	285.5	287.0	285.5	282.9
150 International	19.1	16.9	19.8	18.0	20.6	18.5	21.3	18.6	22.6	19.6
250 Science & Space	16.6	16.0	17.3	17.0	18.0	17.6	18.7	18.4	19.5	19.1
270 Energy	6.0	4.1	5.3	4.0	6.0	4.8	6.4	5.2	6.8	4.8
300 Natural Resources	18.0	18.6	19.1	19.2	19.8	19.8	20.5	20.2	21.3	20.7
350 Agriculture	20.2	16.4	23.0	17.6	20.6	16.3	18.8	15.9	19.8	15.2
370 Commerce & Housing	44.7	44.9	14.6	4.4	26.7	14.6	15.1	2.0	16.6	4.1
400 Transportation	32.3	31.2	34.0	33.5	35.4	35.4	36.3	37.1	37.8	38.7
450 Community Development	8.3	7.9	8.1	7.4	8.2	7.5	8.7	7.8	8.8	8.1
500 Education	47.5	42.4	48.4	47.2	49.5	48.8	51.6	50.3	53.7	52.1
550 Health	65.7	64.5	73.2	72.6	80.6	80.2	88.8	88.2	97.8	96.8
570 Medicare	123.6	103.0	134.6	116.5	147.3	129.9	161.0	144.5	175.4	160.0
600 Income Security	202.1	155.7	209.8	164.1	217.4	175.0	228.0	186.1	236.9	194.4
650 Social Security	340.2	265.8	368.0	282.7	398.3	300.5	431.0	318.7	465.5	337.7
700 Veterans Benefits	32.1	31.4	32.9	32.4	33.8	33.6	34.8	36.0	35.7	35.7
750 Justice	13.1	13.0	13.8	14.1	14.4	14.3	15.0	14.8	15.6	15.5
800 General Government	12.2	10.8	13.0	11.7	13.5	12.3	13.9	12.8	14.4	13.6
900 Net Interest	182.0	182.0	183.2	183.2	185.0	185.0	183.4	183.4	178.6	178.6
920 Allowances	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3
950 Offsetting Receipts	-48.7	-48.7	-50.3	-50.3	-51.4	-51.4	-53.4	-53.4	-55.3	-55.3
		(-90.2)		(-71.4)		(-97.8)		(-110.6)		(-125.9)
SPENDING	1,420.4	1,269.6	1,453.0	1,285.0	1,528.9	1,347.6	1,585.2	1,393.4	1,656.7	1,442.0
		(1,228.1)		(1,263.9)		(1,301.2)		(1,336.2)		(1,371.4)
% OF GNP		21.9%		20.8%		20.5%		19.9%		19.3%
REVENUES		1,162.3		1,229.7		1,304.1		1,382.2		1,465.8
		(1,179.5)		(1,254.6)		(1,342.5)		(1,421.2)		(1,500.0)
% OF GNP		20.0%		19.9%		19.8%		19.7%		19.6%
DEFICIT/SURPLUS		-107.3		-55.3		-43.5		-11.2		+23.8
		(-48.6)		(-9.3)		(+41.3)		(+85.0)		(+128.6)
% OF GNP		-1.8%		-0.9%		-0.7%		-0.2%		0.3%

NOTE: TOTALS INCLUDING ADJUSTMENTS FOR OMB ECONOMICS AND TECHNICALS SHOWN IN PARENTHESES ()

SENATE-REPORTED BUDGET RESOLUTION COMPARED TO CBO ALTERNATIVE BASELINE
($ Billions)

FUNCTION	1991		1992		1993		1994		1995		1991-95	
	BA	OT	BA	OT	BA	OT	BA	OT	BA	OT	BA	OT
050 Defense	-30.2	-13.0	-43.0	-27.7	-56.1	-43.2	-70.0	-57.8	-84.2	-72.5	-283.5	-214.2
150 International	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
250 Science & Space	1.4	0.8	1.4	1.3	1.5	1.5	1.5	1.6	1.7	1.6	7.5	6.8
270 Energy	-0.3	-0.4	-0.3	-0.4	-0.4	-0.4	-0.6	-0.4	-0.6	-0.5	-2.2	-2.1
300 Natural Resources	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-1.2	-1.0
350 Agriculture	0.1	0.1	0.2	0.2	0.4	0.3	0.4	0.4	0.5	0.5	1.6	1.5
370 Commerce & Housing	-0.2	-0.6	-0.3	-0.6	-0.3	-0.6	-0.4	-0.7	-0.5	-0.7	-1.7	-3.2
400 Transportation	1.0	0.6	1.6	1.8	1.8	2.7	1.6	3.3	1.7	3.7	7.7	12.1
450 Community Development	0.4	-0.1	0.4	-0.2	0.4	0.1	0.5	0.1	0.5	0.2	2.2	0.1
500 Education	4.7	1.2	4.8	4.3	5.1	4.8	5.2	4.9	5.5	5.1	25.3	20.3
550 Health	0.0	-0.5	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
570 Medicare	-1.1	-1.9	-2.2	-3.5	-3.7	-5.1	-5.1	-6.9	-6.8	-8.8	-18.9	-26.2
600 Income Security	3.2	-1.2	3.4	-0.5	3.5	1.4	3.7	2.0	3.8	2.4	17.6	4.1
650 Social Security	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.3
700 Veterans Benefits	0.2	-0.1	0.0	0.0	-0.1	0.0	-0.2	-0.1	-0.4	-0.3	-0.5	-0.5
750 Justice	-0.5	0.4	-0.4	0.2	-0.4	-0.3	-0.4	-0.4	-0.4	-0.3	-2.1	-0.4
800 General Government	1.0	-0.4	1.3	0.1	1.4	0.7	1.5	0.9	1.5	1.3	6.7	2.6
900 Net Interest	-2.0	-2.0	-6.8	-6.8	-13.0	-13.0	-20.4	-20.4	-29.2	-29.2	-71.4	-71.4
920 Allowances	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-1.1	-1.1
950 Offsetting Receipts	-9.9	-9.9	-9.4	-9.4	-8.7	-8.7	-8.2	-8.2	-7.7	-7.7	-43.9	-43.9
SPENDING	-32.9	-27.6	-49.8	-41.7	-68.9	-60.0	-91.4	-82.2	-115.5	-106.1	-358.5	-317.6
REVENUES		25.3		25.9		27.5		27.8		28.3		134.8
DEFICIT		52.8		67.7		87.4		109.7		134.0		451.6

SENATE-REPORTED BUDGET RESOLUTION COMPARED TO PRESIDENT (AS REESTIMATED BY CBO)
($ Billions)

FUNCTION	1991 BA	1991 OT	1992 BA	1992 OT	1993 BA	1993 OT	1994 BA	1994 OT	1995 BA	1995 OT	1991-95 BA	1991-95 OT
050 Defense	-21.3	-9.8	-27.1	-19.3	-32.1	-27.2	-36.1	-32.1	-40.2	-37.0	-156.8	-125.4
150 International	-1.2	-0.9	0.1	-0.2	0.4	0.1	0.6	0.1	1.1	0.4	1.0	-0.5
250 Science & Space	-1.3	-0.7	-3.5	-2.3	-4.7	-3.8	-5.4	-4.8	-5.5	-5.3	-20.4	-16.9
270 Energy	2.0	0.2	1.0	0.9	1.1	1.2	1.7	1.6	2.3	2.2	8.1	6.1
300 Natural Resources	0.1	-0.2	0.8	0.1	1.8	0.8	2.9	1.5	4.5	2.7	10.1	4.9
350 Agriculture	2.3	2.1	4.6	4.6	5.7	6.2	6.4	6.7	7.6	7.7	26.6	27.3
370 Commerce & Housing	1.1	0.7	1.1	1.1	1.3	1.5	1.5	1.8	1.7	2.1	6.7	7.2
400 Transportation	2.0	1.7	2.7	3.5	3.7	4.7	4.6	5.7	5.4	6.7	18.4	22.3
450 Community Development	1.4	0.2	1.8	0.8	2.1	1.5	2.4	1.9	2.7	2.3	10.4	6.7
500 Education	4.6	1.5	4.4	3.1	5.1	4.6	6.2	5.3	7.6	6.4	27.9	20.9
550 Health	0.8	0.3	1.3	0.9	1.7	1.5	2.1	1.9	2.5	2.3	8.4	6.9
570 Medicare	-1.0	3.2	-0.9	3.9	-0.6	4.3	-0.8	4.8	-0.8	5.4	-4.1	21.6
600 Income Security	4.0	2.6	7.3	5.2	7.0	8.0	7.4	9.5	8.5	10.4	34.2	35.7
650 Social Security	-2.7	0.0	-3.6	0.1	-1.8	0.2	-3.5	0.3	-4.0	0.3	-15.6	0.9
700 Veterans Benefits	0.3	0.1	0.0	0.2	0.1	0.3	0.1	0.3	0.1	0.3	0.6	1.2
750 Justice	0.5	0.5	0.5	0.4	0.1	0.0	0.4	0.3	0.5	0.6	2.0	1.8
800 General Government	0.8	-0.7	1.4	-0.4	1.9	0.5	2.2	1.0	2.4	1.6	8.7	2.0
900 Net Interest	-0.9	-0.9	-3.3	-3.3	-6.3	-6.3	-9.4	-9.4	-12.6	-12.6	-32.5	-32.5
920 Allowances	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	4.8	4.8
950 Offsetting Receipts	-8.3	-8.3	-7.1	-7.1	-6.3	-6.3	-7.6	-7.6	-6.5	-6.5	-35.8	-35.8
SPENDING	-15.8	-7.6	-17.5	-6.6	-18.8	-7.3	-23.3	-10.2	-21.4	-9.2	-96.8	-40.9
REVENUES		15.9		21.9		27.8		26.0		25.8		117.4
DEFICIT		23.5		28.5		35.1		36.2		35.0		158.3

SENATE-REPORTED BUDGET RESOLUTION COMPARED TO HOUSE-PASSED BUDGET RESOLUTION
($ Billions)

FUNCTION	1991		1992		1993		1994		1995		1991-95	
	BA	OT	BA	OT	BA	OT	BA	OT	BA	OT	BA	OT
050 Defense	2.6	-1.5	4.9	2.5	10.0	7.3	15.1	11.9	19.9	16.3	52.5	36.5
150 International	-1.2	-0.7	-0.6	-0.6	-0.1	-0.5	-0.1	-0.6	0.3	-0.5	-1.7	-2.9
250 Science & Space	0.0	0.0	-2.4	-1.6	-3.2	-2.6	-3.5	-3.2	-3.6	-3.5	-12.7	-10.9
270 Energy	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.2	0.0	-0.3	-0.2	-0.7	-0.5
300 Natural Resources	-0.8	-0.4	-0.7	-0.6	-0.8	-0.7	-0.7	-0.8	-0.7	-0.7	-3.7	-3.2
350 Agriculture	0.8	0.8	1.6	1.7	2.2	2.1	2.2	2.1	2.3	2.3	9.1	9.0
370 Commerce & Housing	-0.1	-0.5	-0.5	-0.7	-0.5	-0.8	-0.5	-0.8	-0.6	-0.9	-2.2	-3.7
400 Transportation	0.5	0.6	0.5	1.1	0.2	1.0	-0.5	0.3	-0.4	-0.7	0.3	2.3
450 Community Development	0.0	0.1	-0.1	-0.4	-0.1	-0.3	-0.1	-0.3	-0.1	-0.3	-0.4	-1.2
500 Education	-1.2	-0.8	-5.0	-4.4	-5.7	-5.4	-6.4	-6.3	-7.1	-7.1	-25.4	-24.0
550 Health	-2.1	-1.6	-3.2	-3.0	-3.6	-3.4	-4.0	-3.9	-4.4	-4.4	-17.3	-16.3
570 Medicare	-1.2	-0.3	-2.2	-1.3	-3.7	-2.7	-5.2	-4.3	-6.8	-6.0	-19.1	-14.6
600 Income Security	-0.1	-0.8	-1.0	-1.2	-1.6	-1.0	-2.3	-1.3	-2.9	-2.0	-7.9	-6.3
650 Social Security	0.0	0.0	-0.1	0.0	0.0	0.1	0.0	0.1	0.0	0.0	-0.1	0.2
700 Veterans Benefits	0.1	-0.2	-0.2	0.0	-0.2	0.0	-0.3	-0.2	-0.3	-0.3	-0.9	-0.7
750 Justice	0.3	0.4	0.4	0.3	-0.2	-0.3	0.0	0.0	0.0	0.1	0.5	0.5
800 General Government	-0.7	-0.6	0.2	-0.7	0.5	-0.5	0.8	-0.2	0.8	0.2	1.6	-1.8
900 Net Interest	-0.6	-0.6	-1.9	-1.9	-3.6	-3.6	-5.2	-5.2	-6.6	-6.6	-17.9	-17.9
920 Allowances	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-1.1	-1.1
950 Offsetting Receipts	-4.0	-3.7	-3.1	-3.1	-2.1	-2.1	-1.3	-1.3	-0.5	-0.5	-11.0	-10.7
SPENDING	-8.0	-10.1	-13.6	-14.2	-12.8	-13.7	-12.4	-14.2	-11.3	-15.1	-58.1	-67.3
REVENUES		6.0		1.5		7.1		2.4		0.9		17.9
DEFICIT		16.1		15.7		20.8		16.6		16.0		85.2